Thursday October 25 1990

World News Six British soldiers die in IRA Uister

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bombings The Irish Republican Army, avenging the shooting of one of its top gunmen, killed six British soldiers and injured 27 other people in bomb attacks on two Northern Ireland security checkpoints.

A seventh body found at one of the blast scenes was believed to be that of a civilian forced to drive a bomb-laden car. The IRA claimed he was a "collaborator". Page 10

Elizabeth Dole guits US Labour Secretary Elizabeth Dole, whose husband had chal-lenged George Bush for the presidency, became the first person to resign from the Bush cabinet. She is to head the US Red Cross Page 4 Red Cross, Page 6

Thatcher complains British prime minister Mar-garet Thatcher has written a strong letter of protest to European Commission presi-dent Jacques Delors complain-ing that key financial issues are being discussed in Brussels without proper preparation...

Bush plea to Shemir President George Bush has sent a personal letter to Israeli Prime Minister Yizthak Shemir appealing to him to allow a United Nations team to investi-gate the killing of 20 Arabs. Arabs kept out, Page 22

Chemical spills Two toxic chemicals spills were reported within five minntes in unrelated accidents near the Swiss border city of Basie. Nobody was hurt.

100 T 100

Philippines violence At least four people, including a bus driver and conductor. were killed when extremists with bombs and guas backing a left-wing strike helted trans-port in the main Philippine

cities. Deficit cut, Page 4 incide faces effection.
India faces the prospect of an early general election. Partiament meets in special session on November 7 and a confidence vote is likely. Face 33

A strong earthquake rocked north-eastern Californie but there were no immediate The epicentre was in a sparsely populated area near the Calif-

Bishop rebuised A US Roman Catholic bishop who met a group of married former priests is reported to have received a letter of

rebuke from the Vatican. Pakistan votes Pakistanis went to the polls in general elections that are

being widely regarded as a ref-erendum on the August dis-missal of Prime Minister Benszir Bhutto, Page 22 Burma clampdown Burmese police arrested 12 senior members of the main opposition party, searched Buddhist monasteries and

raided political party offices in a nationwide clampilown on dissent. Canada's open door

Canada intends to open the door to more immigrants over the next five years despite concern it may not be able to handle the influx. A 50 per cent increase is being planned. Beirut unity pian Rival Shia milities handed over positions in Beliut's southern

suburbs to the Lebenese army and Syrian troops ahead of a plan to reunite the capital. Syrian pullout, Page 4 **Great Wall greater** Archaeologists have found a new section of China's Great Wall, extending its eastern ter-minus more than 800 miles

Business Summary Polly Peck gives up its fight against insolvency

Polly Peck International last night gave up its fightagainst insolvency after Mr Asil Nadir, its chairman, returnedfrom Turkey and northern Cyprus without bringing any of the£30m (\$58.5m) in cash it needed to keep its creditors

at bay.

The board said it had decided toapply this morning to the High Courtfor administrators to be appointed.

GOODYEAR Tire & Rubber, last surviving US owned large tyres group, reported a \$61.4m third quarter deficit, the hig-gest quarterly loss in the com-pany's 92-year history. The troubled Akron, Ohio com-pany, which recently surrentroubled Akron, Ohio com-pany, which recently surren-dered its position of world mar-ket leadership to Michelin of France, also said it plans to lay off a total of 3,000 employ-ees by mid-1992. Page 23

SOUTHLAND Corporation, perent company of the 7-Eleven convenience store chain, filed a bankruptcy peti-tion under Chapter 11 of the US bankruptcy code. Page 23 URUGUAY round: US intends to table in trade talks an offer to cut its tariffs on imports

by 43 per cent. Page 3 VOLKSWAGEN chief executive Carl Hahn, who was due to retire next year, looks likely to stay on to oversee the German car group's drive into eastern Europe and guide it into the post-1992 EC market.

EXXON; world's largest oil company, reported unchanged third quarter earnings.

US ORDERS for durable goods fall 1.7 per cent in September, after a revised drop of 0.8 per cent in August. Page 6 CONTINENTAL Airlines, US

carrier, said that, having stud-ied possible options after the fuel price cises, asset sales may be on the cards. Page 26 WORLD BANK has offered to create an international fund to promote industrial restructming in Poland by speeding up the inflow of private sector

DRUTSCHE Aerospace, sero-space division of Daimler-Ber looks set to lead a consortium including French, Italian and Spanish aerospace groups to build a new regional jet air-

liner. Page 22 AVON Products, world's big-gest manufacturer of cosmetics and toiletries, reported strong third-quarter earnings on mod-estly higher sales. Page 26

EUROPRAN Community warned against suggestions that its proposal on farm reform, once tabled, would not provide a basis for further negotiations. Page 22

LIONHEART, housewares and retail display systems group, is proposing a capital reorgani sation so that it will be able to pay dividends out of future

earnings. Page 29 SEARS, Roebuck and Co, world's largest retailer, reported a 30 per cent fall in earnings in the third quarter.

JAPANESE trust bank, Mitsui Trust, saw two former execu-tives arrested. Page 4

SKF, world's leading rolling bearings manufacturer, reported a fall of 24 per cent in third quarter profits to SKr435m (\$75m). Page 24 KUMPULAN Guthrie, Malay-

sia's largest plantation group, proposes to diversify from rub-ber and palm oil into property elopment. Page 25 WORLD CEREAL production could fall by 5-10 per cent by about the year 2030 as a result of global warming, warns an agricultural expert, Page 31 PHILIPPINES is to cut the public sector deficit in 1991 by 55hn pesos (\$2.1hn).

Moscow endorses emergency law to control republics

THE SOVIET central parliament rushed through emergency legislation yesterday which seeks to reassert the supremacy of all-union laws over republican laws.

The law, which merely restates the provisions of the discredited Soviet constitution is

credited Soviet constitution, is the latest salvo in the battle for political and executive control of the Soviet Union. It is aimed at the parliamen-

tary measures passed in a majority of the country's 15 "sovereign republics", includ-ing the Russian federation, insisting on the primacy of republican laws.

The irony of the confronta-tion is that in the present legal and political vacuum neither

side can properly enforce its laws and nobody knows what laws and nobody knows what or whom to obey.

The Russian Federation immediately defied the Kremlin by asserting Soviet laws would take effect in its territory only after they are ratified by its parliament. The decision by the Russian parliament, reported by Tass news agency.

reported by Tass news agency, came just hours after the vote

By Quentin Peel in Moscow

Communits

Party, oracle of
the official party line, is — whisper it softly
— about to go commercial.

Faced with the prospect of a disastrous shump
in circulation and the same chronic shortages
of newsprint and ink, pens and petrol, transport delays and disrupted distribution, as every
other Soviet publication, the hible of the party
faithful is suddenly itself having to fight for its
slace in the future Soviet marketniage.

place in the future Soviet marketplace.

So, throwing ideological purity to the winds, the newspaper is looking for joint ventures

Within the space of a few hours, the Soviet parliament rushed the law through a first

reading, votes in the two sepa-reading, votes in the two sepa-rate chambers, a conciliation commission and a final vote on the second reading.

Parliamentary observers believed it to have been inspired by President Mikhail-Gorbachev, showing his grave concern at the disintegration of executive authority. executive authority. The union law is to become

effective as soon as it is published, in the next 48 hours, and to remain in force until the conclusion of a new Union Treaty, the constitutional document binding together the rapublics in the USSR. It insists on the primacy of union laws in all areas "within

the centre's sphere of responsi-bility", according to Tass, the official news agency.
"We are neither declaring

war on the republics, nor bringing pressure to bear on them," said Mr Yuri Kalmy-kov, chairman of the parliamentary legislation committee.
"The republics should under-stand that this legal act is in the interests of all."

Pravda braves the market

Soviet newspaper Prayda, mouthpiece of the ruling Communist Communist Support of his colleagues in the party politication of the support of his colleagues in the party politication of the support of his colleagues in the party politication of the support of his colleagues in the party politication.

It was intended, he said, to end the "war of laws" between the centre and the republics.

It seems highly unlikely, however, that the law will be enforceable without a full-scale reconciliation between President Gorbachev and the republican leaders, and in particular with Mr Boris Yeltsin, the Rus-

an president. The one clause in the law which caused controversy was provision allowing Pre-Gorbachev to sack the heads of state enterprises if they fail to fulfil federal contracts. Depu-ties insisted that this power should apply only to enter-prises controlled by union min-istries.

In a graphic illustration of just what the central powers are up against, the Estonian parliament yesterday declared null President Gorbachev's presidential decree ordering celebrations to mark November 7, the commemoration of the 1917 revolution.

The Estonian deputies decided that the presidential decree contradicted their own law on the status of the Esto-

At the last count, subscriptions to the newspaper for the coming year were running at around 700,000, or barely 10 per cent of its current circulation of almost 6.9m, he confessed. The deadline for subscriptions for all the Soviet press has now been extended from November 1 to November 15, in the faint hope of encouraging readers to return.

"The attitude to Pravda is closely connected with the attitude to the party," Mr Frolov said. "When I came to the newspaper flast year) it

"When I came to the newspaper (last year) it had already lost 3m subscribers. I told my staff now we have a circulation of 700,000 and we

don't know if the party has that many true communists. If they have, why don't they

defend their own newspapers?"

However, behind the desertion of its traditional readers, the newspaper faces the secondary problem that its erstwhile patron and pro-

tector, the Communist Party, is simply no longer in a position to assure it the same exclu-



President George Bush at a fund-raising dinner attacks the Democrat-controlled Congress for the budget impasse

Democrats alter budget demands

By Peter Riddell, US Editor, in Washington

DEMOCRAT congressional leaders yesterday hinted at a possible compromise over taxes on the wealthy in an attempt to end the US budget

The government faced snother deadline, the fourth this month, of running out of money by midnight last night.

Failure to break the stalemate could mean a partial shutdown of the government. shutdown of the government from today, with across-the-board cuts in ser-vices only 10 days before the

mid-term elections.

The main blockage has been over the means of raising taxes on the wealthy so as to miti-gate increases in the costs of Medicare health provision for the elderly and in gasoline tax. House Democrat leaders said yesterday they would drop their demand that a surtax be imposed on those earning more than sim a year. Y mantly opposed by the White House. Instead, Democrats will be asked to approve an alternative which increases taxes on the wealthy by limiting tax deductions. But this still has to

be approved by the Democratic Democrats are, however, seeking modifications in the original Republican plan for an

across-the-board limit on tax

deductions for the better-off, since this would hit states with high local taxes, such as New York, California and Pennsyl-

These states also have large umbers of House Democrats whose votes are crucial to the outcome. Instead, the plan will envisage a phasing out of deductions, graduated accord-ing to size of income.

ing to size of income.

Faced with opposition to any likely package from well over a half of his own 175 strong House Republicans, President George Bush needs the support of a clear majority of the 258 House Democrats. However, any package will need the sup-port of half the Senate Republi-

These political pressures have left Mr Bush on the defensive, looking indecisive and lacking a clear political message as he switches between attacking a "tax-and-apend" attacking a "tax-and-st Congress and appealing for bipartisan support for a deficit

increase in the marginal income tax rate for the wealthiest from 28 to 31 per cent and dropped calls for a cut in capital gains tax. Continued on Page 22 Dole resignation may speed cabinet shake-up, Page 6

Another bad day for the president

By Peter Riddell, US Editor, in Washington

IT WAS a bad day for President George Bush on the campaign trail, but then most

are nowadays.

One Republican congressman criticised his policies to
his face; another, whom he
had gone to help, stayed back
in Washington; others cancelled campaign advertisements featuring themselves and Mr Bush; and national Republican organisers advised candidates to distance them-selves from the president.

A memorandum from Mr Ed Rollins, co-chairman of the National Republican Congressional Committee, advised con-tenders: "Do not hesitate to oppose either the president or proposals being advanced in congress" calling for tax

the last three weeks have been humiliating for Mr Bush. Not only has he been in full retreat on tax policy but he has also been repudiated by a big majority of his own Republicans in the House and by nearly half in the Senate.

Moreover, as he goes out

mearly half in the Senate.

Moreover, as he goes out campaigning a couple of days a week, he is being rebuffed by Republican candidates for whom he is helping to raise large sums of money.

On Tuesday, in Vermont, Representative Peter Smith, who is more loval than most to

who is more loyal than most to the president, noted "my spe-cific disagreements with this administration are matter of record". Mr Bush winced, commenting: "Like all Vermon-ters, he is a man of indepen-dent mind. I just wish he'd stop reminding me that we do have a few differences out

All the Republican House candidates standing for the Senate or for governorships have attacked his budget stand - even though he has travelled to support most at

One Californian Republican congressman has changed an endorsement commercial the president made for him at the White House and used parts of it in a vers opposition to some of Mr sh's policies.

Senator Jesse Helms, the maverick conservative Republican, for whom Mr Bush spoke only two weeks ago, has blamed the decline in his own support in his re-election bath tle in North Carolina on the unpopularity of the president. But then gratitude never counts for much in politics.

with capitalist partners, is planning an international edition involving major western newspapers, and is even proposing to market its own party television programmes. The plight of Pravda, and its urgent efforts to find a competitive solution, were spelt out yesterday by Mr Ivan Frolov, the editor-in-chief, former philosopher, and one of President Mikhail Gorbachev's closest aides. He is himself under pressure from his own workers to resign for presiding over the demise of the party flagahip. But yesterday he insisted that he could not Iraq admits using hostages in attempt to split Gulf alliance

By Lamis Andoni in Baghdad

BAGHDAD is using western hostages to drive a wedge through the US-led alliance ranged against Iraq, a senior Iraqi official conceded for the first time yesterday. Mr Latif Nassif Jassim,

irag's minister of culture and information, said by releasing nationals of certain countries Baghdad was hoping this would gradually erode US efforts to rally support for a military strike against Iraq in order to recover Kuwait. "If this happens we will be happy," he said when questioned if Baghdad was aiming at undermining the international alliance against Iraq.
"Then the US will not be able to rally support for a mili-tary action (against Iraq)."

The minister's comments

came as Mr Yevgeny Primakov, the special envoy of Soviet President Mikhail Gorbachev, resident Mikhail Gorbachev, strived in Cairo on his second visit to the region this month. The Soviet news agency interfax, which said his visit would take in Baghdad, yester-day stressed the Soviet posi-tion as a potential intermediary between the US and its western allies, and the Arab world.

Over the past week, Iraq has released a growing number of western nationals including Britons, Portuguese, Spaniards and Swedes.
Their release followed visits

by official delegations, peace activists from their respective countries or independents such as Mr Edward Heath, the former British prime minister.

But Iraq's most overtiy political greature was the decision ical gesture was the decision on Tuesday to release all 327 French nationals in Iraq and

Of these 67 were reportedly being used as "himsin shields" at strategic installations. Iraq officials have repeatedly maintained that western nationals were held to prevent an attack against Iraq.
Some officials in Baghdad
admit that the US and Britain
are unlikely to be swayed in their stance against Iraq by their nationals being held hos-tage. But they believe their tac-tic has succeeded in reducing

Iraq's political isolation.

Those going to Baghdad to seek the release of hostages have provided the lradis with the opportunity to put forward

It has also allowed the Iragis to focus attention on their desire to see the international community accept a linkage between the Gulf crisis and the eli-Arab conflict,

These contacts and the resulting release of some nationals are viewed in Baghdad as a means of building up domestic pressures, especially in the US and Britain, against The Iraqis hope that by releasing French hostages in particular they will be able to

encourage a split between the US and Europe. Iraqi officials think that France could play a central and effective role in influenc-ing the position of the rest of Europe away from the hawkish stand of London and Washing-

Neither the Iraqi govern-Continued on Page 22 Rurd committed to with-drawal, Page 10

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themselves for a hard slog ahead

crisis since the 1970s Many prominent New



Yorkers say David Dinkins, their embat-tied mayor, is drowning in a sea of bureaucracy, incompetence, a rising crime rate and a growing fiscal problem Page 6

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EC 'morally

obliged' to

to Soviets

LUXEMBOURG'S Prime Minister, Mr Jacques Santer, sald yesterday the European Community was morelly obliged to put together an all package by the end of the year to help the Soviet Union, Reuter reports from Moscow.

Mr Santer, ending a times day visit, said that since the EC had benefited from Soviet foreign policy, particularly German unification, it should now repay its debt. "I think it's a moral obligation we have to take on...

Mazowiecki and

Chancellar Heimut Kohl and Prime Minister Tadeusz Maza-wiecki of Poland will meet in

Kohl for talks

give aid

'Progress' made over EC imports of Japanese cars

EUROPEAN Community countries have identified "a series of important principles" which could provide the basis for an agreement limiting Japanese car exports, Mr Renato Ruggiero, Italy's foreign trade whicher said vesterday.

minister, said yesterday. The minister, who is also chairman of the EC's council of ministers dealing with trade matters, believes that "impor-tant progress" has been made inside the Community and in informal discussions with Japan in establishing princl-ples that "are now the basis for a sufficient accord".

Mr Ruggiero's judgement runs counter to recent evidence of disarray between member states over the length and nature of the transition to abandonment of current import restrictions and voluntary quotas on imports of Japa-nese cars to five national mar-

In the Italian view, this resulted parily from a false impression given to more pro-tectionist-minded govern-ments, including Italy and France, that future market growth for passenger cars

would be taken by Japan.
But the Italian minister
made it clear that the final ele-

states had still to be tied up. His own efforts, he suggested, were directed at "changing the focus" of the discussions to include measures to help the European car industry to be more competitive. There was also the question of reciprocal concessions from Japan to facilitate the imports of Euro-pean vehicles, he said. The four principles underly-

The four principles underlying the Community position
would be: careful monitoring of
Japanese imports into hitherto
protected markets; assurances
from Japanese exporters that
they would not "target" these
markets; clear indications from
Japanese producers about production plans from plants duction plans from plants established inside the EC; and controls on parallel imports (movement of Japanese cars from open markets to restricted ones).

Mr Ruggiero said he was

optimistic about the issue after a meeting of the Italy-Japan Business Group. This was set up over a year ago to promote commercial relations between

the two countries.

Progress reviewed yesterday included a 42 per cent increase in bilateral trade following a 49 per cent rise in Italian exports to Japan. These have now overtillow the TEVA as a proportion. taken the UK's as a proportion of total Japanese imports.

Brussels agrees plan to tighten negligence laws

By Lucy Kellaway in Brussels

A PROPOSAL making it easier for consumers to claim damages against negligent suppliers of services was agreed yes-terday by the European Commission.

The proposal - which covers all services from dry cleaning to medicine — reverses the burden of proof. The supplier would have to prove that it had not been negligent, rather than the con-sumer having to establish that negligence had taken place, as

at present.
The directive, which protects consumers from direct damage to their health or belongings caused by negligent suppliers, is particularly controversial in the field of medicine. It is feared that the proposal could nudge the EC towards the US system in which doctors are hesitant to perform risky operations for fear that they

yesterday that doctors and providers of other services would

be protected by a clause that excuses them from negligence if "reasonable care" had been taken in the provision of the service. This means that negli-

according to the means taken and not according to the The directive is being put forward as a single market measure, because it is argued that the widely different types of protection offered in different types. ent member states act as a barrier to trade in services. It will therefore need only a qualified majority of member states to

gence would be measured

support it.

The British government questions the need for such a directive as most of the server. vices are not offered across frontiers and it therefore sees no need for harmonisation.

The commission also sought to quell fears yesterday that the directive would mean aw suit.

Commission officials said esterday that doctors and product iders of other services would said.

Excessive increases in professional insurance premiums. Any rise would be small, it is said.



President Francesco Cossign of Italy being welcomed to the British parliament yesterday on the second day of his visit

Cossiga urges Britain to embrace European ideal

By Robert Mautimer, Diplomatic Correspondent,

PRESIDENT Francesco Cossiga of Italy yesterday urged Britain fully to embrace the ideal of European unity as the only possible conclusion to the integration process which was

already happening.

In an unusually frank address to members of both houses of Parliament in the Palace of Westminster, Mr. Cossiga appealed to the British people to complement their tra-ditional "down-to-earth prag-matism" and concern with

matism" and concern with national sovereignty with a wider view of UK interests. President Cossiga, who is paying a three-day state visit to Britain, had earlier had talks with Mrs Margaret Thatcher, the British Prime Minister, dealing with the whole range of world problems, particularly the Gulf crisis and the future of Europe.

the future of Europe.

The President stressed that the late Sir Winston Churchill had been one of the first to share the insight that the Sec-ond World War had radically upset the balance of power in the world. From this the idea developed of one single voca-tion for the whole continent of Europe which, by overcoming not so much the concept of nationhood and national sovereignty, but rather of its fea-tures of self-sufficiency and

able to lead Europe on to new heights, and new supreme values," he said.
Far from being mostified by a united Europe, Mr Cossign told peers and members of parliament, "your noble function as law-makers and the supreme guarantors of the pub. supreme guarantors of the pub-lic institutions and of public and private freedoms" could be enhanced in much wider institutional settings than those relating purely to specific terri-

relating purely to specific terri-torial sovereignty.

No Europe could exist unless its architects included the land of Chaucer, Shakespeare, Swift and Dickens nor that of Magna Carta, the Bill of Rights and the Glorious Revolution, the Italian President said.

Referring to the Gulf crisis,
President Cossign said that it
had threatened to dash the

had threatened to dash the expectations of the poorer countries that the more prosperous nations might allocate the "peace dividend" from eastwest detente to development programmes, to relieving their foreign debt and to reviving co-operation between North and South. However, a solution of the crisis in a spirit of reconciliation and moderation could herald the beginnings of a new world order, he said. ership and are likely to increase tension at what is

world order, he said.

Mr Cossign also held discussions with Mr Neil Kinnock,

Thatcher in protest to Delors

By Tim Dickson in Luxembourg

MRS Margaret Thatcher, the British Prime Minister, has written a strong letter of protest to European Commission President, Mr Jacques Delors, complaining that key financial issues are being discussed in Brussels without proper preparation.

being discussed in Brussels without proper preparation.

Contents of the letter emerged in Strasbourg yesterday after Mr Delors had appeared to strike a more conciliatory tone towards the UK on the highly sensitive question of when to proceed towards a new phase of economic and monetary union.

A spokesman for Mr Delors A spokesman for Mr Delors refused to clarify exactly what Mrs Thatcher was referring to in her recent missive, except to observe that the question of EC aid for the Soviet Union and two other issues" were involved.

involved.

It is understood that one of these was assistance to the so-called "front line" Gulf states affected by international sanctions against Iraq.

Britain is known to have been deeply uneasy about the way the Ecu 1.5bn (£1.04bn) package, including balance of

payments support, was negotiated by the EC. On Emu, meanwhile, Mr Delors seemed to be trying to play down expectations that a date for the beginning of the

so-called stage two of the process - involving the setting-up of an independent European Central Bank and greater economic convergence

weekend's special summit of EC heads of government. Mrs Thatcher remains resolutely opposed to discussing the timing of stage

But Mr Helmut Kohl, the German chancellor, said last week that he would be prepared to sign up to a Dutch compromise of January 1, 1994. Contrary to hints from Mr Gianni De Michells, the Italian foreign minister, that the opportunity may be taken to force the pace on Emu this weekend, Mr Delors clearly indicated his preference for tackling this question at the traditional "end of Presidency" summit in December.

"There is less of a risk of

if we speak for a couple of hours about political union than about EMU." he said adding that the debate on political union was "less advanced".

Mr Delors, however, was unclear as to how the problem of a date for stage two would be resolved when it inevitably surfaces in December.

He said that he did not think it should be decided on the basis of a unanimous vote.

The Commission President yesterday argued in favour of keeping the headquarters of the European Parliament in Strasbourg - at least for the In response to a question about the sensitive issue of the sites of EC institutions

another subject which could enliven the summit — Mr Delors agreed that MEPs themselves "should have their

But at the same time he implied that there were more important things, like the Gulf crisis and the situation in the Soviet Union, which EC leaders should be discussing this weekend.

potentially destructive forces:

out into the open.

The size of the unrecognised

wiecki of Poland will meet in former east Germany next month to discuss a treaty fixing their sensitive border, Reuter reports from Bonn. After the November 3 meeting in Frankfurt on the Oder they will cross into the Polish town of Stubice. Precidents George Rush and

Presidents George Bush and Mikhall Gorbachev will visit Germany the same month. Foreign investment: ences, the countries share two pours into Spain

growing economic difficulties and disputes over ethnic minorities. The end of the com-Foreign lavestment in Spain surged by 51.4 per cent in the first nine months of this year to Pta 1.306 trillion (27hn) munist system has now brought these two problems from Ptz 882.7bn in the same period a year earlier, accord-ing to economy ministry fig-mes, AP-DJ reports from Mai-

rid.
In September foreign investment totalled Pta 130.4hn, up 123.2 per cent from the same month last year.
The purchase of aswly-issued securities took the largest share (Pta 466.2km) in the first nine months, an increase of almost 76 per cent en last year. But the biggest increase was in long-term foreign leans which shot up 276.58 per cent to Pta 337.2hn in the period.

Hungary explains

Warsaw Pact countries post-poned a summit on the organi-sation's future so it could be

sation's future ao it could be held after an east-west conference in Paris on November 19 to sign a trenty slashing one-ventional forces in Europe, Hungary said yesterday, Renter reports from Budapest.

A forcign ministry spokesmen confirmed that the summit due in Budapest on Moreother 2 and 4 was not off.

summit delay

province of Kosovo.

Relations between Bulgaria, Greece and Yugoslavia are even more complicated.

Neither Bulgaria nor Greece recognises the existence of a Macedonian nation. In Yugoslavia, it has the status of a separate republic.

Relations between Bulgaria and Turkey, though improving, have been marred in the past by attempts by the former Bul-

by attempts by the former Bulgarian communist regime to

Tirana under fire at Balkan talks

regional stability,
The tensions are partly political. Only Greece is a member

of the European Community and only Turkey and Greece are members of Nato. Bulgaria

and Romania belong to the dis-integrating Warsaw Pact, while Albania is staunchly indepen-

dent. Yugoslavia, gripped by ethnic unrest, remains in the Non-Aligned Movement which

is searching for a new role in the light of improving east-

By Laura Silber in Tirana

GREECE sharply criticised Albania's human rights record during the opening session of a summit of Balkan foreign ministers which started yesterday

The summit is aimed at The summit is aimed at increasing economic co-operation and working out ways to keep pace with European integration. But the political and social diversity, as well as the simmering ethnic disputes between the six countries, are unlikely to bring co-operation beyond the level of rhetoric.

Mr Andonis Samaras, the Mr Andonis Samaras, the Greek foreign minister, said that any co-operation between the Balkan countries could only be successful if human rights were fully observed. "Can we call a country free

if any man or woman in this country is not allowed to exercise fully their religious rights? And does it not equally apply for political and economic rights? said Mr Samaras. His remarks, which were made to foreign ministers from Turkey, Yugoslavia, Romania, Bulgaria and Albania, amount to a thinly disguised attack on the Albanian communist lead-

In addition to all these differ-BULGARIA GREECE YUGOSLAVIA

The size of the unrecognised Greek minority in Albania is disputed by the authorities in Tirans. They claim that the minority is no more than 50,000. The Greek authorities say the figure is more than 300,000.

In a separate dispute,
Albania has repeatedly criticised Yugoslavia for its treatment of the 1.5m ethnic Albamian minority in the southern
province of Resovo.

Polytima between Pricage

Mapmakers find plans dashed

THE VANISHING border between the Germanys has brought nothing but trouble for mapmakers, Reuter reports from Berne.

A year ago the border was marked by a firm green stripe with dots and dashes. By the middle of this year it was just dots and dashes. From October 14 the stripe returned - but thinner and much less notice-

"The situation changed so fast that we couldn't keep up any more," said Mr Helmut Laube, cartographer at the Swiss head office of one of

Europe's largest map publishers, Kuemmerly und Frey.
One road atlas produced to cater for the flood of travellers between the Germanys shortly after the Germanys shorty
after the border opened last
November was revised three
times when it was on the verge
of publication.

We suddenly heard there

were 20 new frontier crossings. Then there were 40. When we'd put them all in we got the news the whole border was open and we had to scrape all the crossings out again," Mr Laube said.

So he put Germany back on the drawing board, overlaid it with tracing paper showing the latest amendments and set to work with coloured pens and a scalpel. He had already recon-nected long-disused roads, rebuilt bridges and summoned into existence 3,000 villages which, until then, had been left

which, that then, had been sate off the map.

"Suddenly West Germans all wanted to visit the little villages their families originated from," he said.

The company puts the cost

of German unity - scale 1500,000 - st around 600 car-tographer hours. This

maps of adjoining regions, and European and world maps that will also need to be changed. Until East Germany opened up, information was hard to obtain and official maps con-tained deliberate inaccuracies designed to confuse potential

Mr Laube's problems did not stop there. Even before united Germany had officially been named, he extended the letter-ing "Federal Republic of Germany" into what had formerly been East Germany. It was no-easy job because he had to move aside up to three villages to make way for each capital letter.

Demand for information brings acute pressure to publish new maps. Kuemmerly used to update its map of East Germany only every other year, with a print-run of 10,000. This year it has been updated increases to thousands of This year it has been updated hours if one counts the 50 or so twice and sold 300,000 copies.

November 3 and 4 was put off at Moscow's request: The meeting was intended to plan the pact's transformation into a political forum. Politburo immune

from Polish probe

Poland's chief prosecutor said yesterday that President Wojciech Jaruzeiski and mem-bers of the former communist politisaro were immune from investigation in the suspected cover-up of an international crime ring, Reuter reports from Warsaw.

The Solidarity-led government said two weeks ago that communist party leaders headed by Gen Jaruzelski covered up a crime ring led by Polish agents that carried out robberies, assaults and frand in western countries in the 1960s and 1970s.

Prosecutor-General Aleksander Herzog told a news conference "obvious offences" had been committed in not bringing the case to light in 1984. But this type of cover-up, which carried a maximum five-year jail term, could not be prosecuted in Poland after a lapse of more than five years.

French investigate plutonium claim

French authorities are investi-gating a report that plutonium is leaking from cracked con-crete containers at waste dump near the Saciay atomic energy research centre 45 miles south of Paris, Reuter reports.

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until its articles of agreement have been ratified by members accounting for two-thirds of might eventually improve. When the bank's treaty was drafted, the Soviet parliament

Attali foresees two years of loss for EBRD

By Rachel Johnson, Economics Staff

THE EUROPEAN Bank for Reconstruction and Develop-ment will open for business next spring but is likely to operate at a loss for its first two years, Mr Jacques Attall, the bank's designated president said vesterday.

The EBRD, to be headquartered in London, has just held a second meeting at which its 41 a business plan and draft oper-ating regulations. The bank's aim is to promote private sector development in countries committed to democratic politics

For this reason, it is thought likely that the status of the Soviet Union within the bank had not adopted the economic reform programme to transform the country into a market economy. It is therefore only eligible for loans up to the level of the capital which it pays in over the same period. Mr Attali said, however, that changes to the Soviet status would not be contemplated for

three years. The bank, which has a capitalisation of Eculobn (27bn), will not come into existence total voting power, including two borrowing members.

Mr Attail was confident that

ratification would be achieved by the March 1991 target. He announced that the Mr John Kenneth Arrow, a US financial economist, had started to work for the EBRD.

The bank's president intends it eventually to be profit-mak-ing. He said the EBRD was "not a charity institution" and declined to put figures on its borrowing requirements dur-ing the first two years when investment in branch offices in east Europe and start-up costs would be high. He would not give details of particular planned investments

by handsome 19th-century buildings, and installing a light

tram system. The Acropolis and other monuments would

logical park. Mr Tritsis' grand plan for

central Athens goes far beyond the dreams of earlier mayors.

The city budget has grown from Dr10bn (£33.5m) to Dr42bn in the past four years, but many recent improvements went unnoticed because they

were made at neighbourhood level. New child-care centres

and baskethall courts make life

more pleasant for people living

in former industrial areas sel-

or loans the bank would make, but said some of them were joint ventures which would be financed with a variety of new financial instruments. The bank would be "lean and flexible", he said, as it would be pointless to burden newly-de-mocratising countries with

Athens mayor puts forward grand plan

THE HARDEST task facing Mr Antonis Tritsis as the new mayor of Athens is to convince the government to implement a few of his radical ideas. As a former socialist elected

under the ruling conservatives' banner, Mr Tritsis can expect to meet political resistance when he takes over at city hall on January 1. But the real obstacles to his ambitious plans for reviving the city will arise from the limitations imposed on the mayor's authority. Whatever his politics, the

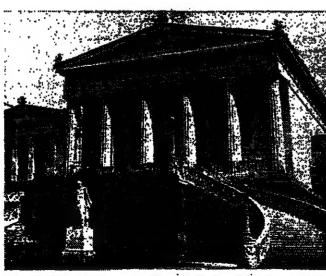
mayor's life is one long strug-

gle with different government ministries, trying to get his proposals approved," says Mr Angelos Moschonas, one of several deputy mayors of Athens.

"A couple of years ago we proposed setting up an inner city bus service to cut the number of buses coming into the centre. The scheme would significantly reduce traffic jams and exhaust fume pollu-

tion. The transport ministry still hasn't agreed." Permission from the agriculture ministry is required for large-scale planting of trees on the rocky hillsides around Athens, Such projects are part of city hall efforts to increase the amount of green space above the current 28 per cent, the lowest of any European

if one of the city's dozens of ancient monuments lies close to a new pedestrian zone or a planned car park, the culture



The National Library on Panepistimion Street would be protected by a pedestrian precinct under the Tritsis plan.

lection is the mayor's responsihility, but when it comes to choosing the site for a new city dump, the health ministry

wants a say. Mr Tritsis, a respected architect and city planner, has already acquired a reputation for creating controversy. He was fired as environment min-ister in Mr Andreas Papandreou's socialist government in 1984 after refusing to compromise with the influential land developers' lobby. Four years: later he lost his post as education minister for insisting that

nine-year-olds should start discovering their heritage by learning ancient Greek.
As mayor, Mr Tritsis will be In charge of seven city districts where 1.5m people live, about a

third of the greater Athens nonulation. But another 2m descend on the city centre on weekdays. "Wasted time in traffic jams is one of the main reasons for the present eco-nomic crisis," he says. He wants to transform the city centre by banning traffic from four main avenues,

including Panepistimiou

Street, a broad avenue flanked

dom visited by tourists.

Mr Tritsis, who oversaw a much-praised restoration of the Plaka, the old city beneath the Acropolis hill, while environment minister, promises not to forget the neighbourhoods. In fact, he recently moved back to his old family home in Praxitelous Street, part of a seedy commercial district that he wants to renovate. But the Athenians are not

> sures. A poll last month showed that 53 per cent of them would live somewhere else if they could. Mr Tritsis' opponents may dismiss his plans as utopian, but to his supporters they rep-resent the kind of radical changes needed to make up for the humiliating loss of the 1996 Olympics and give Athens a real chance of staging the

games early next century.

content with small-scale mea-

Yugoslavia's economy in steep decline

YUGOSLAVIA, battered by ethnic unrest and political divisions, has slid further into economic crisis, according to official figures released yesterday, Reuter reports from Bel-

grade. A Federal Statistics Office report covering the first nine months of this year said retail prices had almost doubled since the start of the year and industrial production had fallen 10.4 per cent compared with a year ago.
Living standards were 18.1
per cent lower than a year

ago, retail sales were down 23.8 per cent, the trade deficit stood at \$2.2bn (£1.1bn) and bankruptcy procedures had been started against 771 companies employing more than 450,000 people.

In a further blow to the

economy, communist-ruled Serbia, the biggest republic, heightened a dispute with non-communist Slovenia and Croatia on Tuesday by slapping new taxes on imports from the two northern repub-lics to protect its own econ-

The economic data, coupled with ethnic unrest and politi-cal rows among its six republics, could also damage Yugoslavia's hopes of receiving foreign financial aid as it moves towards democracy after 45 years of communist

World Bank offers to create fund for Poland

By Peter Montagnon and Christopher Bobinski in Warsaw

THE World Bank has offered to create an international fund to promote industrial restructuring in Poland by speeding up the inflow of private sector for-

eign investment.

The fund, which could amount to well over \$1bn (2500m), would be provided not only by the bank itself but also by other official institutions, such as the European Investment Bank, the new European Bank for Reconstruction and Development, and possibly the European Community, said Mr Moeen Qureshi, World Bank senior vice-president for

operations.
Poland needed "massive new investment in infrastructure, including industrial restructuring, energy, the environment and housing, he said. Most of the money would

have to come from the private sector, but the new fund, which would be modelled on the bank's existing fund for energy development in Pakistan, would provide the necessary seed capital. It would help finance Polish

enterprises seeking to establish joint ventures with foreign companies in priority sectors. Later, the principle could also be extended to other east European countries, including Czechoslovakia, Hungary, and possibly Yugoslavia, he said. Mr Qureshi declined to name

a target amount for the fund, but he said that the seed capi-tal required to promote restructuring of the energy sector alone amounted to between \$500m and \$1hm.

His remarks come against a backdrop of disappointment with the inflow of foreign investment generated by the radical reform of the Polish

radical reform of the Polish economy this year.

Though Poland is expected to generate a record hard-currency trade surplus of more than \$3bn this year, it faces acute difficulty in 1991 as a result of higher oil prices, the shift to hard currency settlement of trade with the rest of eastern Europe and the loss of eastern Europe and the loss of previously secure markets in the former East Germany. Altogether, this will cost Poland some \$5bn-\$6bn next year, necessitating continued austerity, which threatens to

produce a further dectine.

Mr Qureshi said Poland
needed further debt relief from official creditors, who are owed three-quarters of its \$42bn for-eign debt. "Poland cannot meet its obligations on the old basiswithout some additional relief and assistance." As part of its initiative, the World Bank could underwrite arrangements to protect the rights of foreign investors, for example, to remit profits, and purchase

and sell assets in Poland.

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WORLD TRADE NEWS

US offers to cut |In search of the billions lost in a statistical black hole tariffs by 43%

on imports by 43 per cent across the board, US officials

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TALK WAR

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said yesterday.

A reduction of 43 per cent would more than meet the target of an overall 33 per cent cut get of an overant 33 per can be in tariffs set by world trade ministers. The US offer is conditional on reciprocal reductions being made by other

Countries.
The comprehensive offer would include reductions in customs duties on textiles and clothing, officials said.

Washington's failure to include textiles in earlier pro-posals for tariff cuts has been severely criticised by its trading partners, particularly by

developing countries.

The proposal on textiles is likely to be conditional on a satisfactory outcome in separate talks on the dismenting of the Multi-Fibre Arrangement, the bilaterally negoti-ated quota mechanism that has governed trade in textiles and clothing for the past three

In an effort to speed up nego tiations in the so-called market access areas, the US last month announced that it wanted a deadline of November 15 for concluding agree-ments on tariff cuts and the lowering of other import berri-

However, the negotiations

THE US intends today to table in the Uruguay Round trade largely because the US itself talks an offer to cut its tariffs failed to meet an October 15 national delegations of defini-

tive offers of tariff cuts. The tabling of the offer today should stimulate delegations to start the intensive bargaining over reciprocal reductions which is needed to meet the

November 15 deadline. Washington's proposal will include so-called zero-to-zero offers on a wide range of products on which the US is will to eliminate customs duties completely, provided its trad-ing partners follow suit. Representatives of the pri-vate sector "zero tariff coali-

tion" representing more than 125 US manufacturers voiced their support here yesterday for this mutual elimination of

Industries represented included producers of paper and wood products, aluminium, construction equipment, diesel engines, beer, diesel and gas turbine engines and semiconductors.

Urging other countries to accept the US zero-for-zero offers, Mr Stephen Lovett, executive director of the National Forest Products Association, claimed that the US industries concerned could "tip the scales" in the US Congress, when legislators had to declde whether or not to accept the overall results of the Uruguay

Local brewery aids Tonga economy By Del Hayward in Wellington

PRIPPS, the Swedish state cent of Tonga's beer sales, brewery, has established a joint venture setting up a

brewery in the tiny Pacific island kingdom of Tonga. Small by international standards, the brewery has boosted the state's economy by almost eliminating bear imports, sav-ing valuable foreign exchange, cutting the cost of imports, and creating jobs. It has also helped solve a major environ-mental problem: the disposal of

Previously, Tonga's total export earnings from bananas, which made up 15 per cent of all export receipts, was spent on buying imported beer.

which were formerly domi-nated by Budwelser of the US and the Fosters of Australia. The King of Tonga ordered the project should create as many jobs as possible; there-fore, hand labour is used in preference to high technology and computers, which have dif-ficulty functioning in the local

nental problems associated with aluminium cans. Pripps has now set up another joint brewery project in Vanuatu, and is holding dis-cussions on similar projects in

Peter Marsh on the trail of the 'balancing item' that is almost as big as the UK current account deficit

ERE is a problem that is taxing the Sexton Blakes of the world of economic statistics: how do you account for the £15hn a year in Britain's overseas transactions which does not show up in the government's

The missing billions are thought to reflect either underestimates of capital flowing into Britain or unrecorded overseas sales by UK companies. Either way, economists are concerned that by not having the relevant information the UK government is losing track over a vital area of data

related to trade policy. Mr John Major, the UK Chancellor, shares the worries and has ordered a review of government statistics by next summer which should shed light on some aspects of the

The UK's statistical hole constitutes a large chunk of the £50bn which, according to International Monetary Fund estimates, cannot be accounted for out of total global exports of £2,500bn a year.

In Britain's case, the concern is helicitumed both because of

is heightened both because of the size of the statistical discrepancy and because of its relevance to Britain's large cur-rent account deficit, which at

UK CURRENT ACCOUNT '80" '81" '82 '83 '84 '85 '85 -4.18 -15.15 -19.12 Current a/c balance

£19bn last year is the biggest in Europe. The deficit is likely to be £14bn this year, according to IMF projections.

Basic economic theory dictates that the difference between exports and imports for a specific country should be matched by currency flows of the same amount, much of it representing borrowing. The £50bn global number repre-sents the total value of exports where the transfer of goods in one direction cannot be matched by recorded monetary

flows the other way.
Virtually all countries have statistical discrepancies in their trade figures. But Britain's is particularly large and has grown considerably over the past few years. For 1989, when the UK cur-

rent account deficit was £19bn, officials at the government's Central Statistical Office (CSO) have identified net transfers into Britain of only about £4bn.

That leads to the discrepancy of £15bn – which economists call the balancing item. inflows could be pulled out at short notice, destabilising the

The CSO collects its data from a number of sources, such as customs records, surveys of industrial and consumer spending and stock exchange accounts. The appearance of such a large balancing item is thought to be due to a number of factors:

 It may be due to sales over-seas of services – part of Britain's invisible exports which the government does not know about. Unrecorded sales of this kind could mean Britain's current-account defi-cit is smaller than thought Short-term capital inflows via the foreign exchange and bond markets - overseas traders buying pounds for speculative reasons - might be signifi-cantly larger than the government has a record of. That could represent a problem to the UK as some of the

 British residents could be importing to Britain large amounts of capital, arising from interest or rents on for-eign assets, which they are falling to declare to the Inland • The government might be

failing to count some exports of manufactured items. Although figures for such visi-ble trade are more reliable than those for invisibles, mistakes can happen. An over-sight by customs officers led to Britain's national accounts between 1987 and this year fail-ing to record aircraft imports worth about £1.5bm.

The transfer of capital

into Britain could be linked to criminal activities, such as the narcotics trade. Borrowing by UK institutions and individuals from overseas groups might be much greater than has been

thought.

The CSO points out, in defence of the large discrepancy, that it is the residual number after adding and subtracting very large numbers in the annua accounts. Britain's exports and imports amount to £200bn a year and the amount of capital swopped with overseas part-ners by UK-based foreign-ex-change dealers every year runs to trillions of dollars.

In efforts to shed light on the hole in the accounts, the CSO recently found it had underestimated the value of UK equities which overseas residents and institutions bought during the 1990s. That accounted for capital inflows of about £1.5bn a year which no one knew

As a result of this and other revisions, the CSO reduced its estimate of the balancing item for 1988, from £12bn to £8bn. But even allowing for similar exercises, the discrepancy in the accounts for 1989 is unlikely to be revised to less

than £10tm.
Mr Simon Briscoe, an economist at Midland Montagu, a London investment bank, says a large amount of the black hole is probably due to unre-corded earnings in financial services, in particular from the

City. To discover more about this, the CSO has started a survey into details of overs earnings from 25,000 UK services companies.

Mr Peter Spencer, chief UK economist at Shearson Lehman Brothers, a stockbroker, says that the lack of information about inflows and invisible earnings means the govern-ment is less able to formulate policy. "No one has a clear handle on what is going on."

Another complaint is that the balancing items undermine general confidence in the accu-racy of the UK's financial sta-tistics. Some would like to see the UK do more to track transfers of capital, such as occur when foreigners buy British equities or bonds. Others, however, say such ideas would be too bureaucratic and would be against the spirit of financial deregulation likely to be part of post-1992 Europe.

Mr John Lipsky, head of international research at Salo-mon Brothers, a New York bank, says that in the 1990s European governments will find it hard to gain reliable data about capital movements and other economic indicators and will just have to live with more statistical black holes.

Delors sees end to subsidy impasse

By Tim Dickson in Strasbourg

MR JACQUES Delors, the European Commission president, hinted yesterday that the present impasse over EC farm reform could be broken tomor-

Speaking to journalists in Strasbourg, Mr Delors said he thought Brussels was ready to provide Germany with guarantees that plans to cut EC farm subsidies would be softened with compensation payments and "accompanying" mea-

heat and humidity.

The use of returnable bottles
has reduced the severe envi-In three meetings of the EC Farm Council and two meet-

EC farm and trade ministers meet jointly in Luxembourg tomorrow in a last-ditch effort to avoid the issue going on the agenda of EC heads of govern-

yet seen details of the Commis-

tion's "assurances" and admit-

ted that Brussels has to tread a

Bonn is preoccupied about two main issues. One is that the EC provide farmers affected by the proposed cuts

very thin line.

ment at their summit in Rome Mr Delors said yesterday that such a development would be "disastrous". It was far from clear last night, however, that Mr Delors' opti-mism was well founded. Ger-man officials said they had not

Bonn has emersed over the past 10 days as the most formi-dable opponent of the Commission's proposed offer to its international trading partners to reduce farm supports by 30 spoken critics of the Commis-Brussels package will ulti-mately weaken defences in the Common Agricultural Policy designed to restrict cheap

It is understood that the Germans may not be seeking spe-cific changes to the Brussels proposal but a "parallel" text to consist of the necessary guarantees on both points. The Commission, however

which itself is deeply divided on farm reform, will have to strike a balance between satis-fying German demands and not allenating others. The US would be likely to seize upon any compensation that appears to distort the market as a justification to con-

tinue its own direct income supports. Britain, Denmark and The Netherlands would be mitted to establishing intellec-tual property rights in Brazil. The lack of patent protection sensitive to any measures that undermine general European farm competitiveness.

Battle over patents hits Brazil

By Victoria Griffith in São Paulo

THE promise by Brazil's Collor administration last June to introduce patent protection on pharmaceuticals and chemicals has let loose a lobbying battle between multinational and

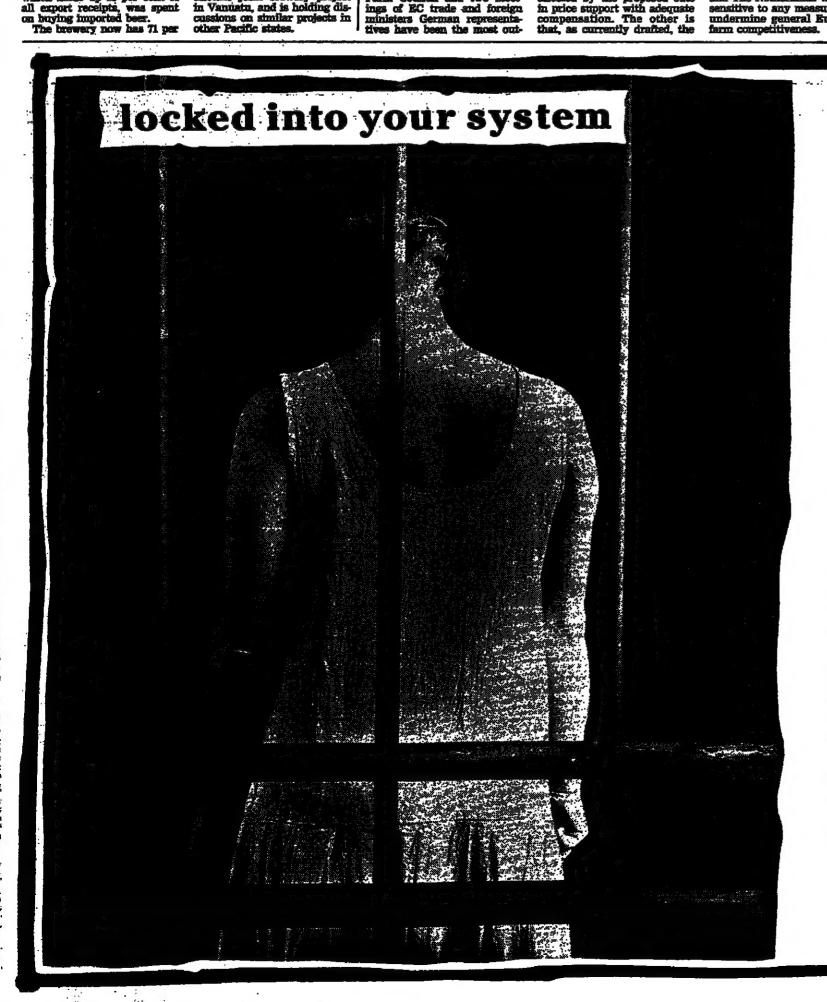
national companies,
Business and government
agree the issue depends more
on Congressional approval
early next year than on the
Gatt trade liberalisation talks, set to be finalised in December. Mr Luiz Velloso Lucas, secretary of industry and com-merce, is determined Brazil adopt the new legislation even

outside the Gatt context. "We have no intention of using the issue as a bargaining chip," he Whether we reach an international agreement or not, the Collor administration is comamounts to a subsidy to the local industry we can no longer afford." The Collor administration would like access to world-

wide research and development expenditures. The US pharmaceuticals and chemicals industry alone spent \$8bn (£4bn) on R&D last year. Over the same period, spending in Brazil was low, Interfarma, the multinationals' lobbying group based in Rio de Jameiro, says. The government has promised to submit a law on patent protection to Congress by

March 20. But Mr Norwert Gmuer, president of Ciba-Gelgy in Brazil, believes that even if protection is guaranteed, the R&D spending rise will not be significant. New-technology benefits were more important. Brazil is the best place to conduct research on tropical diseases, plants and animals. Patent protection here means advances in those areas. Multinationals were still worried about two issues: when the law will go into effect, and the length of patent protection. Abifina, an association of 60 Brazilian pharmaceuticals and chemicals compa nies, is seeking a delay in intellectual property recognition of 10 years for processes and 15 years for products. The multinationals want immediate patent rights, for 15-20 years.
"We think it's still too early

for Brazil to be looking at patent protection," an Abifina official said. "Patent protection will mean the end of the Brazilian presence in this industry." But the national companies may find they have little weight to throw around. They contribute only 20 per cent to pharmaceuticals and chemical production in Brazil.



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Bankers held as Japanese stock scandal spreads

terday imposed pay cuts of 10 to 20 per cent for three months

on 12 directors. Mitsui Trust denied that this implied any admission of guilt by these executives. Western and Japa-

nese concepts of responsibility were different, it said. The bank regretted that it had

caused "a disturbance in soci-

According to the prosecu-tor's office, Mr Seto failed to report profits totalling Y1.1bn and Mr Matsuo profits of

Y533m. The two others arrested were Mr Nobuyuki ho, president of Urban Renaissance a property company

sance, a property company, and Mr Taisuke Kobayashi, a former director of the com-

The prosecutor's investiga-

The prosecutors investiga-tion has confirmed that Mitsui Trust and Sumitomo Bank were Mr Kotani's two largest backers, at one stage account-ing for most of Y100bn that he

borrowed from banks to fund

stock market operations. Mr Kotani developed links

Mr Kotani developed links with high officials at both banks, including Mr Teizaburo Nishi, the deputy president of Sumitomo, who resigned last week along with two senior colleagues, including the bank chairman. At Mitsui Trust, links with Mr Kotani were experyised by Mr Takeshi

supervised by Mr Takeshi Nakajima, the former chair-man, who died earlier this

Mr. Kotani's peak need for funds was in 1987-98 when he mounted a raid on Kokusai Kogyo, an aerial survey com-pany, where he won control in a controversial hostile take-corer Subsconsorby. Mr. Kotan-

over. Subsequently, Mr Kotan-

By Stefan Wagstyl in Tokyo

TWO FORMER executives of Mitsui Trust and Banking, a leading Japanese trust bank, were arrested yesterday in the latest incident in a widening scandal over the support given by top financial institutions to Mr Mitsuhiro Kotani, a stock

The two men, who worked at the same branch, were arrested with two of their cilents on charges of tax evasion. According to the Tokyo District Prosecutor's Office, the four allegedly failed to report profits on stock market investments made with the help of inside information supplied by Mr

Mr Kotani, head of an investment syndicate named Koshin, passed on tips in return for the two manager's support for loans from the bank, which totalled Y45bn (£183m) to

Y50bn (£203m).
The arrests follow the detention earlier this month of a former manager at Sumitomo Bank, on charges of extending illegal loans to Mr Kotani. The moves all stem from a investigation into Mr Kotani's affairs following his arrest earlier this

year on stock manipulation charges.

The affair has prompted widespread public criticism of banks for funding speculation in stocks and land in the late 1980s when wices were seen 1980s when prices were sour-ing. The Finance Ministry and the Bank of Japan plan to increase checks on banks. The ministry yesterday summoned senior Mitsui Trust officials to explain the bank's role in the

Kotani affair. Mitsul Trust said in a state-ment that the case concerned the personal affairs of the two managers. Mr Tsunetaka Seto, the deputy manager at the bank's branch in Shibuya, cen-tral Tokyo, had been dismissed in 1988 and Mr Haruki Matsuo, the branch auditor, in February this year. However, the bank also yes-

Philippines seeks to cut deficit

By Greg Hutchinson in Manila

PHILIPPINES government is to cut the public sector deficit in 1991 by 55bn bination of increases in revenue and cuts in expenditure.

nue and cuts in expenditure.

An agreement between cabinet and congress projects a boost in revenues of 30bn pesos. Expenditure cuts would total 25bn pesos, including 5bn pesos which would stem from lower government domestic borrowings as a consequence of the measures.

Increased revenues would be achieved through better tax collection, the imposition of an import levy, and an accelerated privatisation drive. Mr Jesus Estanislao, the

finance secretary, said next year's budget deficit should fall as a percentage of gross domes-tic product to 3.4 per cent from 5.4 per cent currently. He placed emphasis on

speedy disposals of Philippine Airlines, Republic Planters Bank, and hotels. He added that sequestered assets of the Marcos era would be put on

The ownership of many of these, ranging from golf courses to factories, remains in

The company is again to attempt the sale of the Nonoc Mining and Industrial Corp, the country's only nickel mine and smelter. · A bus-burning campaign

ensured that a general strike called yesterday throughout the Philippines paralysed public transport, but industry did not grind to a halt as left-wing lahour groups hoped.

Radicals killed a bus driver

and a conductor, and set 16 buses ablaze to enforce the strike, called to press for a 38

peso minimum pay rise.

The pay rise is being sought to compensate for higher oil and other prices. The government, struggling with a swelling budget deficit and rising inflation, says it may consider an increase of about half that demanded. The basic daily rate for the capital is 89 pesos.

Philippine workers received a 25 per cent rise in their basic pay 15 months ago, although surveys of industries have showed that only a fraction of businesses - mainly foreign companies - pay the mini-

Li lodges appeal

Mr Ronald Li, former Hong Kong stock exchange chair-man, sentenced last week to four years' jail, has appealed against his conviction on corruption charges related to share dealings, writes John

Efflott in Hong Kong.
He is also applying for ball
until the appeal is heard - possibly late in December.

•THE MIDDLE EAST

Freed hostages tell of psychological strain

THE hostages freed by Mr Edward Heath's mission to Iraq returned to Gatwick airport early yesterday and spoke of the psychological strain of their ordeal.

One of the freed, 42-year-old Dr Ronald Eccles, said: "There are a lot of stress-related diseases com-ing out. People have been devel-oping heart trouble and diabetes." oping heart trouble and diabetes. If they had any medical prob-lems in the pest they are flaring up and are made worse by the ordeal," said Dr Eccles, who suflers from arthritis.

Mr Tony Wilbraham, 50, a civil engineer suffering cancer, was forced to suppress faith in his own recovery to get on Mr

Heath's plane,
Before his detention, he had
been telling himself he might be
cured. "But over there, to get
out, I had to say loudly: "I have

cancer, I am dying!"
Some returning hostages, like Mr Henry Halkyard, 61, who was detained for more than a month on an industrial site 35 miles north-west of Beghdad, talked of the "friendliness" of his captors. "The food was not too bed although there wasn't a lot of it."
For Mr George Robertson a For Mr George Robertson, a training consultant with an Arab telecommunications company who was arrested early in August after fract troops raided his Kuwaiti home, the view was more muted. "I was held on one title oil the time and medically." site all the time and medically well treated, but I won't say more than that. I'm thinking of the guys who were held with me

N THE Jewish Quarter of Jerusalem's Old City there is a small museum devoted

to the conquest of the enclave by Jordan's Arab Legion in

1948 when war between the newly-formed state of Israel

and its Arab foes left the city

The loss of the Jewish Quar-ter – and indeed the failure to secure control of all Jerusalem – was the bitterest defeat for

the Jews in a war that other-

wise saw Israeli forces repulse

Arsh attacks and carrie out the

nascent country's borders. For

the first time in nearly 2,000 years, Jews no longer had access to their hollest site, the Western Wall of the ancient

Almost 19 years later, in

"The Jewish Quarter will

The Palestinian claim to

By Lara Marlowe in Deir et Kamar

THE Maronite villagers said the first rain of the season was a sign of God's grief. It rained all morning, soeking the baggy black sharwal trousers and tarbouche turbans of the Druze shelkis

who came in their thousands to motion Dany Chamoun, the assassinated Chris-

The funeral was arranged by the Druze leader, Mr Walid Jumblatt, whose militiamen stood watch with Kalashnikovs. A white hanner relied

Jerusalem and its holy sites, in

June 1967, Israeli troops cap-tured the Old City and the rest of the Arab eastern sector of

Jewish Temple.



tages from one to another.
There is evidence, moreover

Jerusalem, holy shrine of intractable conflict

Hugh Carnegy on a city as divided as it ever was by the now banished 'Green Line'

Edward Heath celebrates with the hostages on their flight to freedom

tages are being held has become increasingly hard to come by. One reason is the diminishing western diplomatic presence, particularly in Kuwait. Another, as some of yesterday's returnees confirmed, is that Mr Saddam appears to be extending his human shield to as

that over the last week Mr Saddam has been moving western hostages from Knwait to Iraq to substitute for some of those released yesterday.
On the basis of the latest and most reliable official and private information there are now some many key military and civilian installations as possible, while

in oil and military installations in and around Kuwait City, with most of the others in biding.
In Iraq there are believed to be
800 Britans left. Of these about
300 are detained near at least a and chemical or biological research plants. The rest are liv-

municipal facilities to Arab dis-

tricts.
But none of this comes near

to satisfying the Palestinians. For a start, like virtually the entire international commu-

nity, they reject Israel's claim to sovereignty and its 1967 annexation of Arab east Jeru-

ameration of Arab east Jerusalem. The city's Arab popula-tion has been offered Israeli citizenship but almost univer-sally refused it, instead keep-ing Jordanian citizenship. No Arab has stood for election to

the consequently all-Jewish

municipal council since 1967.

They also hitterly resent the reality of development in the city which vastly favours the Jewish community. The Israeli Government deliberately set out to build a hig Jewish population to the property of the court of the court

lation in the annexed areas in fortress-like settlements strats-

gically placed around the city

Among the latter are some nick and elderly excluded from Mr Heath's mercy mission by a mixture of bureaucracy and cold political calculation. There are also employees of Reitish compa-nies who have been advised by the Foreign Office to carry on working out their contracts.

Mr Heath yesterday amounced that 30 construction workers would be allowed to

workers would be allowed to leave next month at the end of their contract helping build and decorate a prestige administrative building for the Iraqi Ministrative building for the Iraqi Ministry of Planning.

But what was publicly expressed as a concession bides a rather cruder reality. Last month five workers on the same project were arrested by the

project were arrested by the had authorities while trying to escape and remain detained in locations around Baghdad.

As a director of Ulster com-

peny Rotary International com-mented: "The Iraqis meant that as a lesson. Now those who are working are doing so because they want to get out. They know that if they stop working, they might not."

Mr Jim Thompson, 50, general

Mr Jim Thompson, SI, general manager of a British engineering company, spoke of frustration among hostages who had been given a diet of rice and stale bread. The conditions had pronear an fract armaments factory.

"We had sadistic gnards who would punch hostages just for the sake of it...we tore down fences, broke all the windows and daubed anti-Saddam alogans on the walls," he said.

reactions to unrest in the city was to call for more Jewish settlement of immigrants from

the Soviet Union.

Most Palestinians acknowl-

edge that these facts make an

Israeli withdrawal from east Jerosalem impractical, short of war. Some would favour such a

war but others such as Mr Nus seibeh propose some kind of shared sovereignty where Arab and Jewish districts are admin-

istered separately with a shared supreme council.

Many Israelis also believe

many israels also believe some kind of sharing must be agreed. "If people can't understand the need to share, it will not work. People will kill and blood will flow," says Ms Asia Kruvitsky in her art gallery at the point where the Jewish and Arab quarters meet in the Old

Already, since the outbreak

or the reassumen iniquos, or unusing, nearly three years ago, the city has been redi-vided in practice as even the most liberal israelis stay out of

Ahmad, a highly-qualified Palestinian engineer, says he has seen enough. He is leaving

to work abroad and does not

Primakov renews diplomatic offensive

By Lionel Barber in Vashington and Alison Smith in London

THE Soviet Union's special envoy, Mr Yevgeny Primakov, yesterday began a second tour of the Gulf in a fresh bid to find a diplomatic solution to

Mr Primakov, a member of the Soviet Presidential Com-cil, arrived in Eygpt. He will also visit Iraq, Saudi Araba,

and Syria.

However, the Soviet envoy's shuttle diplomacy was viewed with disquiet in Washington, where it was seen as muddying the waters surrounding the multinational effort to eject iragi forces from Kuwalt. US officials were concerned

that the mission came during a week in which the Bush Administration had acted to shore up the credibility of the military threat against Iraq after signals from the Saudi Arabian government suggest-ing they were countenancing

compromise.

US officials were also seeking to establish why Mr Primakov was embarking on a second mission only a week after being told firmly that the only acceptable outcome for the US and its allies would be lizar's unconditional and complete withdrawal from Kuwait. withdrawal from Kuwait.

US officials believe that anything short of this would reward Mr Saddam Husseln's

aggression.

Mr Primakov last week toured western capitals to discuss his last diplomatic mission to the Gulf, during which he held talks with Mr Saddam. Diplomats in London and Weshington say that Mr Prima-Washington say that Mr Prima-kov did not propose any spe-cific peace plan in talks last-week, though he did raise the possibility that some form of peace conference addressing the Arab-Israeli dispute could be held out to Mr Saddam as a possible assectance in any possible sweetener in any eace formula.

cials yesterday reiterated their determination that recourse would be taken to military ection if Iraq did not accede to UN resolutions calling for its withdrawal from Kuwait. Mr Douglas Hurd, the British foreign secretary, yesterday repeated the UK's determina-

However, British and US offi-

repeased into the farce.

"We are lightening the array of peaceful pressures but we cannot shirk our part in the alternative course if that course finally becomes neces." course finally becomes neces-

of Commons.

In Washington, Senator Richard Lugar, an influential member of the Senate Foreign Relations Committee, said that the US was "very close to con-Arab sress and Arabs who enter Jewish areas do so mainly only to work. flict" with Iraq and that recent developments should not be misread as suggesting that

Syrian pullout from Lebanon

chairman of the defence com-mittee of the National Assembly, said yesterday that the initiative would be taken as a result of the recent visit by

i's attempts to pay off loans taken out to fund the Rokusai Kogyo acquisition led to his alleged attempt last April to manipulate the shares of Fujita Tourist Embergrises, a leisure company, in order to sell a large block of stock at inflated prices. The bid resulted in Mr Kotani's arrest.

THE West Australian

The allegations relate to a Rothwells rescue operation in 1987 which involved various Australian corporate luminaries committing funds to prevent Rothwells from col-ispsing.

Wardley took a leading role

in organising the funding package, which ultimately proved insufficient to save Rothwells.

The federal court writ alleges that the state govern-ment was misled in relation to a guarantee of A\$150m which it provided to National Austra-lia Bank on behalf of Roth-

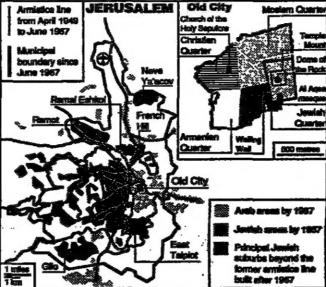
W Australia sues over bank failure

By Bruce Jacques in Sydney

government has moved to dis-tance itself further from corpo-rate failures in the state by launching a court action over the collapse of Rothwells, the merchant bank formerly headed by Mr Laurie Connell. Mrs Carmen Lawrence, the state premier, yesterday began an action in the federal court against Mr Connell, Bond Cor-

Jerusalem as part of their vic-tory in the Six Day War. The Western - or Walling - Wall was redeemed amid great emo-tion and the nearest thing to a consensus was established in Israeli society. Jerusalem would never again be divided and would remain forever the against Mr Conneil, Both Cor-poration Holdings, formerly headed by Mr Alan Bond, and Wardley Australia, the mer-chant bank owned by Hong-kong and Shanghai Banking unchallenged sovereign capital of Israel never fall again," says an inscription written last week in Corporation.
The West Australian govern-Hebrew in the museum's visitors book. "Kill Arabs," says another, more bluntly, in

ment is seeking damages of A\$22.5m (\$17.5m) plus interest, alleging the respondents brenched a section of the trade practices act which deals with misleading or deceptive con-



this most intractable issue in the Arab-Israeli conflict, rests, like the Israeli one, on a potent like the Israeli one, on a potent mixture of history and religion. They have populated the city for centuries and the Moslem holy sites of the Dome of the Rock and Al-Aqsa mosque – built on the stony hilltop where the Jewish Temple once stood and where 20 Palestinians were shot dead by Israeli police this month – are the police this month - are the third most secred in all Islam.
"If Israelis fall to appreciate the significance of this claim, I

estinians, to appreciate their equally strong spiritual claim, sald Mr Sari Nusselbeh, philos-opher and member of a leading Jerusalam Arab family earlier this year. Since 1967, Israel policy on

Jerusalem has hinged on an absolute adherence to full control of the city. The authorities, notably the tireless mayor, Mr Teddy Kollek, have laid much stress on protecting freedom of worship and access for all faiths, on preventing any rebuilding of the pre-1997 "Green Line" that physically divided the city and extending

perimeter to ensure Jews were never again threatened in the city. Suburbs such as Ramot, Neve Ya'acov, French Hill and Gilo dwarf and separate old Arab districts where getting building permits is extremely

In the village church, two large cof-fins for Dany and his wife Ingrid, and two small ones for their children Tarek and Julian, were lined up in the alske. Kamal Jumblatt and Dany Chamoun were martyrs together, said a spoken-man for the Chamoun family. Mr Jum-blatt's father was assassimated in 1977. Although many Lebanese believed the Syrians murdered Jumblatt, the Drune avenged that assassimation by massacr-ing Maronites. Yet Dany and Mr Jum-blatt remained friends.

"May your martyrious be the begin-

The result is that 120,000 of the city's 354,000 Jewish residents now live in annexed areas. The city's total non-Jewish population is 140,000, the vast majority of whom also live in these areas. Arab population growth has most years outstripped that of the Jews, but the surface ities constantly try to maintain a balance by new settlement. One of Mr Kollek's

Mourners raise martyr's banner at Chamoun funeral ning of unity for Lebanese people," Mr Jumblatt said at yesterday's funeral. Jumblatt said at yesterday's funeral. But who will reconcile Druze and Maronites, now that Mr Jumblatt's only friend among the Maronites is dead? The Druze leader has made little secret of his hatred for Mr Samir Geagea, the Phalangist leader, and has heaped scorn on the Hrawi government, of which he is a member. In the Deir el Kamar, the Maronites of the Chouf reiterated their horror. Why had "they" killed a woman and children? No one dared say who "they" were.

No one dared say who "they" were,

envisage returning. My father was born in 1912. He has spent the whole of his life in Jerusalem and if you ask him he will say there is no future here. It AN ARAB initiative to end the is going to be an endless story. They fight you and you fight them. That's all."

peace was near.

Syrian occupation of Lebanon will be taken in the next few days, according to a leading socialist member of the French parliament, writes Ism David-son in Paris. Mr Jean-Michel-Boucheron,

President Hosni Mubarak of Beyot to Sandi Arabia.

Mr Boucheron, who recently led a committee delegation vis-iting the Gulf, said that all the Gulf countries "consider this System accuration along the [Syrian] occupation abnormal", and he predicted that there would be a "general initiative" of the Arab countries on the theme of "sovereign Lebanes".

Chinese leader promises drastic economic reform

By Colina MacDougali

LI PENG. China's hard-line

in Fents, Unines a sard-line premier, yesterday surprised foreign businessmen attending a conference in Peking with a speech which promised "drastic reforms", including the key reform of trices in the seventher than the se reform of prices, in the economy over the next 10 years. This contrasts sharply with a speech earlier this month in which he barely mentioned reforms and called for caution in development. His change of line is a strong indication of the progress of the undercover debate on the economy currently under way in the run-up to the start of the eighth five-year plan in January. Yesterday Li was trying to

convey the message that in the coming years there would be radical reforms, according to one businessman at the conference. The leadership wanted China's rural and urban private sector to expand, and price reform to go ahead, so that eventually all commodity prices would be dictated by the market, not the state.

may have been reached which allows the reformers to run the Li's speech comes on top of economy and the hard-liners to calls for more reform made by mastermind politics.

other senior Chinese in the other senior Chinese in the past few days. On Monday Deng Kisoping, the paramount leader, was quoted by a top economic minister as calling for "more rapid" economic reforms and opening to the outside world. Last week Jiang Zemin, the party leader, also called on the people to "speed up" the reforms.

States on implistery is in seri-

State-run industry is in serious trouble as a result of the current conservative policy. Debt is rising fast and revenue falling, the state statistical bureau announced yesterday.

However, conservative influ-ence is still strong. Yang Shangkun, the hard-line president noted last week that reforms would be speeded up but only "a little". At the same time the conservatives have relaunched the anti-pornography and anti-crime campaigns they ruthlessly pursued before the Asian Games. A temporary compromise

stress that no decision had

NZ reconsiders contract to purchase Australian frigates By Kevin Brown in Wellington

NEW ZEALAND may pull out

who meets a violent death in Lebanon is called a martyr, although his cause is rarely defined with precision.

The procession moved sliently past the ruined Christian homes on the outskirts of the village, dynamited seven years ago in the "mountain war" between Maronite Phalangists and the Druze. In the end, Deir el Kamar was the only one of 62 Christian villages remaining. The Druze laid seige to the village for 106 days and the war ended through the Chamoun family's mediation.

of a NZ31hn (\$605m) contract to buy two frigates from Australia if a review shows the country can no longer afford the ships, Mr Mike Moore, prime minister, said yesterday. New Zealand agreed last year to buy the frigates as part of a joint naval re-equipment programme with Australia, its closest ally. New Zealand also has an option on two further frigates at a cost of NZ\$900m. Mr Moore said the frigate programme had been included in a general review of govern-ment spending set up to look at ways of coping with New

ony. Cancellation of the project would mean the loss of off-sei-ting contracts in New Zealand worth around \$150m, plus the cost of penalties for breach of contracts let in Australia.

Zealand's deteriorating econ-

The total cost of cancellation could reach \$500m. Mr Moore was careful to been made. However, he said continuing with the frigates' programme "must, in my view, constrain our capacity to deal with the battle we have got on the home front. If there is to be a cut in

government spending and the choice is education for the children, hospitals for the sick and taking care of the elderly, or postponing or cancelling the frigates for a lower-level naval capacity, then I know where I

The announcement caused concern in Australia, where the New Zealand contribution to he frigates' programme is regarded as evidence of commitment to a joint defence

enor.

Mr Gordon Bilney, the junior
Australian Defence Minister,
said cancellation could
threaten stability in the "If New Zealand ever gets in

a position where there is noth-ing left to co-operate with, that would be a serious problem for our defence effort in this part of the world," he said. Mr Moore's announcement comes just three days before the general election on Satur-day in which the Labour government appears likely to be defeated by the conservative National Party opposition.

The review may help Labour by underlining the govern-ment's determination to cut spending and by attracting support from environmental activists, some of whom saw the frigates' deal as a step towards relaxing New Zea-land's ban on visits by nucleararmed or powered warships.

The Green Party has been

attracting support of around seven per cent in opinion polls, mostly from Labour, which is trailing the National Party by seven to 12 points.

Mr Jim Bolger, the opposi-tion leader, said the National

Party would also review all public spending commitments, including the frigates' deal, if it wins the election.

ANC postpones congress as exile's return is delayed

By Pattl Waldmehr in Johannesburg

ber, blaming the postponement on delays in the return to South Africa of some 20,000

The meeting, which was to have been held on December 16, would have been the first national congress of the ANC inside South Africa since the organisation was banned in organisation was banned in 1960. The gathering was due to elect a new leadership, it will now be held in June.

ANC officials said they did not believe the postponement would affect the start of formal talks with Persons

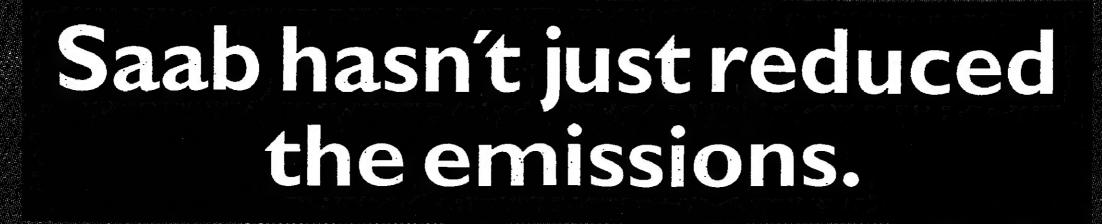
talks with Pretoria on a new constitution. The ANC was still planning to hold a "consultative . conference" December, at which strategy and tactics for negotiation would be decided.

Electing a new leadership at the December conference would not be possible, officials said, because the bulk of the ANC's estimated 20,000 exiles would not have returned to

THE African National Congress has postponed its planned national congress, due to have taken place in December, blaming the postponement on delays in the return to South Africa by then Pretoria and the ANC have disagreed over terms for the exiles return, though they now appear to have sorted out their differences.

The postponement also illustrates, however, the ANC's poor internal organisation, and reflects concern among some older leaders that they would be removed from office in a leadership election. Mr Afred Nzō, the ANC secretary general, and Mr Thomas Nkohi, is treasurer, among others might find their positions threatened by younger, more radical cen-Preparations for the con-

gress were known to be far behind schedule before the Plans for a national congress of the rival Pan Africanist Conof the fival Pan Africanist Con-gress (PAC) also looked in jeop-ardy last night following the death on Tuesday right of the PAC leader, Mr Zeph Motho-peng, 77. The PAC, an ultra-radical black grouping was to have met in Johannesburg from November 6 to 11 from November 9 to 11.



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FINANCIAL TIMES

AMERICAN NEWS

Dole move may hasten shake-up in US cabinet

By Lionel Barber in Washington

THE resignation yesterday of Mrs Elizabeth Dole as US labour secretary raised speculation of further changes in President George Bush's cabinet after mid-term elections

early next month.

Mrs Dole, who is to become president of the American Red Cross, is the first cabinet officer to leave the Bush adminis-tration. Many Republicans and political commentators believe pointal commensators believe her departure offers an oppor-tunity for a cabinet shake-up in repair damage caused by the budget flason.

Mr Richard Darman, budget director, looks under greatest threat. He persuaded the presi-dent to drop his "no new taxes" please and agree to an

taxes" pledge and agree to an inconclusive summit with coninconcinative summit with con-gressional leaders to cut the federal deficit, a course which has split the Republican party and led to a steep decline in Mr Bush's approval ratings. Mr Richard Thomburgh, US

attorney-general, is also seen as ripe for removal. He has made enemies throughout the administration; the low-point coming when he offered to take a lie-detector test to prove he had not leaked damaging infor-mation against a Democrat

congressmen.
Other vulnerable cabinet members include Mr Manuel Lujan, secretary of the interior, and Mr Lauro Cavazos, secre-



Elizabeth Dole: to pursue own political ambitious

tary of education.

Mrs Dole was the only woman in the cabinet. A possi-ble successor as labour secre-tary could be Ms Lynn Martin, the Republican congress-woman struggling to win a Sensie race in Illinois.

Mrs Dole, 54, is married to Mr Robert Dole, the Senate Republican leader. She has spent 25 years in government posts, going back to the John-son administration, but was

never part of the inner circle of domestic policymakers under

Her departure at this early stage in the administration suggests she will pursue her own political ambitions in her native North Carolina.

Many believe she may seek the Republican nomination for state governor in 1992, or for Senator if Mr Terry Sanford

Lukens resigns after allegation

Republican Party, resigned two days after being accused of making sexual advances on a

House elevator operator who said he fondled her.

He was convicted earlier this

MR Donald E. Lukens of Ohio resigned from Congress yester-day rather than face a second sexual misconduct allegation, AP reports from Washington.

"Effective immediately, for the good of the Congress and the integrity of the institution, I resign my seat in the US House of Representatives," Mr Lukens said in a letter to the Governor of Ohio, Mr Richard

Mr Lukens, a member of President George Bush's

Civil rights bill

THE Senate yesterday failed to override President Bush's veto of a civil rights bill that would

have made it easier for work-ers to win job discrimination suits, Reuter reports from Washington.

The 66.34 vote was one short

of the two-thirds majority

tained the veto, the bill is dead

and the House will not vote on

Mr Bush vetoed the bill on Monday, saying it would

seded to override a veto. Because the Senate sus-

veto sustained

year on a misdemeanor charge for having sex with a 16-year-The second allegation prompted House Republicans

to urge Mr Lukens to resign rather than trigger a politi-cally embarrassing ethics committee investigation two weeks before the national

The resignation concludes the ethics investigation and thwarts any formal House The ethics committee had taken the unusual step of

waiving its due-process rules to take immediate action on the new complaint. Mr Lukens missed all votes conducted on the House floor on Tuesday and made no public statements

Havana cracks down on crimes against economy

POLICE in Havana have arrested 200 delinquents accused of illegal earnings and crimes against the economy, the official Communist party daily Granma reported yesterday Reuter reports from

Havana.

Grauma said those detained in operations since the beginning of this week were repeated offenders whose activities "caused indignation among the population, especially in the extraordinary circumstances which are facing the nation".

It gave no detail of the

the nation".

It gave no detail of the offences committed. Diplomats in Havana said the crackdown appeared to be aimed at blackmarketeers, illegal moneychangers and handlers of sto-

Monday, saying it would encourage employers to use racial and gender job quotas to avoid discrimination suits.

"With this shameful veto, President Bush has placed himself on the wrong side of history and the wrong side of civil rights," Senator Edward Kennedy, 2 Massachusetts Democrat. said. En goods.

They said the communist authorities were surious to prevent a rise in blackmarketeering at a time of increasing shortages of food "This veto contravenes the basic principles for which George Bush has stood in his long and distinguished career in public life."

and other goods. Shortages have been caused by disrup-tion to supplies from the Soviet Union.

Granma said the country's socialist system could not tolerate "any kind of parasitism, nor allow with impunity those who sought to live at the cost of the work and sweat of oth-

it appealed for the public to co-operate with police to help catch delinquents.

The authorities this month created more than 90 People's Councils in Havana under a new system of local commu-nity government. Provident nity government. President Fidel Castro said one of the councils' main tasks would be to root out "corruption and

privileges".

Another senior party official, politburo member Vilma Rspin, recently called on Cubana to denounce anyone clearly living above his income.

Distortions in motor industry hit **US** orders

By Anthony Harris in Washington

US ORDERS for durable goods fell 1.7 per cent in September, after a revised drop of 0.8 per cent in August. There was no reaction in the financial markets, which remained preoccupied with the budget deadlock. The unexpected fall resulted mainly from defence cuts and a distorted order pattern in a distorted order pattern in the motor industry, where final sales have been unexpect-

edly strong. There were bullish signs even amid the weak figures. Unfilled orders were unchanged, and remain near their historic high point. Orders for civilian capital goods, usually regarded as the best forward indicator of investment, rose by 6.3 per cent — or 2.3 per cent when the volatile aircraft series is stripped out. Defence orders were down 9.5 per cent.

The unexpected drop in vehicle orders appears to be the mirror image of an earlier bulge, when the industry hulk up inventories ahead of the control of the antumn labour negotiations and possible strikes. In the event, settlements have been achieved almost

without disruption. Mexico unveils

plan to curb police torture

By Richard Johns in Mexico City

PRESIDENT Carlos Salinas de Gestari of Mexico is to submit to Congress legislation aimed at eliminating torture by the police. The move follows mounting international criti-cism of human rights abuses in the country.

Under the president's 12-point programme, interroga-tion of suspects will be the responsibility of public magis-trates — rather than the judi-cial police: Confessions will not in themselves be grounds for conviction.

Mr Jorge Carpine, head of the National Human Rights Commission, welcomed the

reform package announced late on Tuesday.

About 80 per cent of the 894 complaints about human rights abuses summitted to the commission have related to commission have related to law enforcement officials and, in particular, the federal judi-

all police.

Although specifically hanned by the Mexican constitution, torture has a long tradition in the country as a method of procuring informa-tion and confessions.

The problem has been wors-ened by the administration's

ened by the administration's vigorous campaign against drug-trafficking. The transfer last week of Mr Javier Coello Trejo — known as the "Iron Prosecutor" — from the office of deputy attorney-general to the federal consumer protection agency was which attributed to criticisms of alleged abuses by the federal judicial police in the drugs war.

NY's decay outpaces 'do-nothing' Dinkins

Alan Friedman talks to an embattled mayor

ANY prominent New Yorkers say David Dinkins, their embattled mayor, is drowning in a sea of bureaucracy, incompetence and the worst fiscal problems since the city's crisis

of the 1970s.

The parious state of New York is clearly The parious state of New York is clearly visible in the physical decay of the roads and bridges, many of which are half-closed by infrastructure works that are underfunded and may take years to complete. And the presence of tens of thousands of homeless people on the streets — the legacy of cuts in social services under former procedure formed Research — means that President Ronald Resgan - means that pedestrians may often be accosted by beg-

gars.
The city's unhappy state is made worse by recession and lay-offs in real estate, advertising, retailing, insurance and finan-cial services. Crime is on the rise again, with fears escalating after a rash of kill-

with fears escalating after a rash of killings in recent weeks.

On the financial front the shortfall in tax revenues linked to the deteriorating New York economy and escalating municipal spending caused Standard & Poor's, the credit rating agency, last week to place \$13hn of the city's general obligation bonds on its creditwatch surveillance list for a possible downgrade. for a possible downgrade. Last week Mr Felix Robatyn, chairman

of the Municipal Assistance Corporation, the agency set up to deal with the city's 1975 fiscal crisis, resigned in frustration and warned that New York may face "financial, economic, as well as social

The mayor, meanwhile, is being attacked by his critics as a do-nothing consensus politician who contradicts him-self every time he speaks. "Do Something, Dave!" acreamed a recent headline in the New York Post, the city's vox pop barometer of public sentiment.

And last month a cover story in Time magazine ("The Rotting of the Rig Apple") claimed that 59 per cent of New Yorkers surveyed would move out of the city if

One of the reasons Mr Dinkins, New York's first black mayor, was elected was a hope that he would build a racial consen-sus. This has not happened. But race is no longer an issue: the problem is Mr Dinkins

He shocked many recently when he He shocked many recently when he announced, in the same week, a generous 5.5 per cent wage increase for teachers and proposed expanding the police force. Two days later he announced a hiring freeze and the possibility of laying off 15,000 mmictpal workers.

To finance the additional policemen Mr Dinkins proposed new payroll, lottery and real estate taxes that were immediately criticised by the corporate world, already hard pressed by the city's heavy taxes and in many cases seeking opportunities to re-locate out of state.

To make matters worse, the mayor

To make matters worse, the mayor

claimed that the overall budget shortfall for the next fiscal year would be \$1.4m., or \$500m above current predictions. But Ms Elizabeth Holtzman, the city's comptroller, on the same day suggested the actual budget gap would be nearly twice Mr Dinkins'

In an interview with the Financial Times Mr Dinkins defended his actions. He said only 1.5 per cent of the teachers' pay settlement would be paid for by new city funds, with the balance coming from the state budget and pension fund allocations.
Asked how he planned to stop other
municipal unions from demanding the same rise as the teachers he would say only that "I do not contemplate spending any more than 1.5 per cent for other

The mayor also argued that his plan to put 2,000 more policemen on the streets would be financed one third from the rede-ployment of existing officers, a third from "money already in our budget" and the

rest from new funding.

The special taxes he had proposed would be accepted "based on an initial and informal survey I have taken". The contradiction between his \$1.4bn



Dinkins: Mr Consensus of old is being seen by many as the problem now

budget shortfall estimate and the \$2.6bn forecast by his own comptroller was, he said, "based on her assumption that the other unions will get 5.5 per cent like the beachers". To bridge the forecast gap "her

people and my people are getting together to look at the numbers."

He admitted that the city "is in a very serious fiscal situation" but insisted his administration would respond "fully and quickly to the difficulties a deteriorating economy and rising costs pose for our bulget. He said modifications to the budget that were to be presented next month would satisfy holders of municipal books and financial analysis.

and financial analysis.

Earlier this week, in a bit of politically-inspired belt-tightening, Mr Dinkins and his top staff imposed a 5 per cent pay cut

Despite his myriad troubles it is too early to write off the mayor - he has been in office less than 12 months and unex-pected and rapid reversals of fortune are the very stuff of New York politics.

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FINANCIAL TIMES

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FINANCIAL TIMES

AMERICAN NEWS

PRESIDENT Alberto Fujimori win badly needed credit and says a decision by 10 creditor aid through better ties with says a decision by 16 creditor banks to suspend a \$1.25n law-suit against Peru is a vote of confidence in his aim of restor-ing good relations with foreign lenders, Reuter reports from

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The leading

Lima,

BankAmerica, Citicorp and eight other US, Japanese and Canadian banks agreed this week to suspend the lawsuit they filed in New York in March to try to recover loans, "This is an unmistakable show of confidence in our policy of stabilisation and reinsen. ky of stabilisation and reinser-tion in the international finan-cial community," Mr Fujimori

will bring credibility with for-eign and donestic investors." Mr Fujimori has vowed to

Bankers, seeking to pre-

vent their claims from expir-ing under a statute of limitations, filed suit in New York last March in order to pres-sure the former government of Mr Alan Garcia to pay back the loans

The banks suspended the suit when Peru agreed to meet a committee representing all its commercial creditors by

Mr Fujimori won a further boost for his debt policy this week when the Inter-American Development Bank said its president, Mr Enrique Iglesias, would visit Peru next week to study new loans after a five-year freeze.

Four people killed in fresh wave of violence

FOUR people, including a journalist, have died in politi-cal violence in separate attacks around the country, police say,

AP reports from Lima.

The wave of violence followed a weekend of rebel attacks and blackouts in the capital. Maoist Shining Path capital. Maoist Shining Path guerrillas shot dead a television reporter in the northern
Andean city of Huaraz, police
said. Three hooded guerrillas
machine-gunned Mr Pedro
Macedo Figueroa in the doorway of his home in the departmental capital of Huaraz, 175
miles north of Lima, on Monday night.

day night.

Mr Macedo, 53, was a reporter for America Television, the Lima belevision station. He was well known in the Huaraz region for waging a campaign against the guerrilla movement in local newspapers and on radio, a local journalist

in Lima, police shot dead a left-wing rebel and captured another on Tuesday when two guerrillas opened fire on police. One policemen was surjously wounded in the attack. Police said Shining Path rebels on Tuesday placed bombs at two university campuses. These were deactivated by explosive experts.

On the same day, police

opened fire on demonstrating social security workers in Lima, killing one, according to television new reports. They broke up the demonstration with tear gas and water can-

More than 100 Shining Path rebels attacked a bus near the southern Andesn city of Ayacucho, police said. The rebels robbed the passengers and hurned the bus.

The greatellas had declared

The guerrillas had declared a two-day "armed strike" begin-ning on Tuesday in Ayacucho, a departmental capital 236 miles south-east of Lima. The strike calls for total work stoppage and threatens violence inst anyone who refuses to

In the central Andean city of Huancayo, four Shining Path guerrillas shot dead a retired army officer, Andina, the state news agency, said. Guerrilla violence in the

Huarsz region, an area popular with mountain climbers and trekkers, has increased steadily since the Shining Path killed a British tourist in the

area in May 1989.

More than 20,000 people have died in political violence since Shining Path took up arms in 1980. Most of the victims have

Banks give Lima President Fujimori and the quiet Peruvian revolution a breathing space Sally Bowen on the shift towards regionalisation and the consequent erosion of presidential powers

HEN Mr Alberto Fuji-mori became presi-dent of Peru on July 28 he inherited a country unlike that governed by any of his predecessors. "Alan Garcia was the last of the Peruvian monarchs," said the former president's political advisor. "A president's political adviser. "A quiet revolution has taken

That revolution is regionalisation. Already the political map has been redrawn, with 11 new regional assemblies each having their own president. Congress may even decide to separate Lima from its port

Callao.

Regionalisation has been on and off Peru's political agenda ever since the 1931 Constituent Assembly, but for more than half a century no real progress

was made.
On the contrary, Lima's tra-ditionally dominant role inten-sified. Today more than a third of Peru's 22 million inhabitants live there and the capital has more than half the country's civil servants, three-quarters of its doctors, over four-fifths of its savings and 98 per cent of all private investment. Regionalisation was finally written into the 1979 constitu-

tion, and approved by Congress in 1987. "It was an attempt to break the stranglehold of two of Peru's traditional power groups - oligopolies and the



ording to Mr Romulo Leon Alegria, one of the principal architects of the process. President Alan Garcia threw his weight behind the policy after his thwarted 1987 attempt

tem. His defeat on that laste, he privately admits, graphically illustrated the weakness of the Peruvian state.

In his last few weeks of crowning achievement of his administration. He toured the newly constituted regions, transferring central government assets and state-owned

The oratory and the cheques The oratory and the cheques went down well in the provinces, but Peruvians seem bemused by the speed with which events had overtaken them. Elections for five regional assemblies were held last November, with the remainder in April, but both were overshadowed by municipal and then general elections. "No one took it seriously and the best people didn't stand," said one Arequipa assembly representative.

representative.
Controversially, around a third of assembly members are "delegates from representative institutions" These include peasant organisations, sharty towns and trade unions, as well as representatives from

universities, law societies and chambers of commerce. Critics charge that these del-egates constitute a built-in left-wing element. Its proponents say this type of partici-pation is the only way to achieve real democracy.

Pragmatism has required that new cross-party alliances be formed. In the southern regions, particularly, extreme left and right factions are working towards common goals: not always harmoni-

ously, but often for the first time. "It's easier to mix oil and water at regional level," said the Mariategui president. Financing is the regions' pri-mary concern. Central govern-ment payments invariably

Some regions are already entering counter-trade agreements with neighbouring countries. For the Amazonas region, Brazil is a closer and more logical trading partner than Lima. The regional assembly in Iquitos plans to trade part of its petroleum for Brazilian cook-ing oil and margarine. And

Some critics say regionalisa-tion is a purely administrative change. Regions' power to leg-islate or raise local taxes is subject to congressional approval, as is their ability to contract external debt. But 60 per cent of government reve-me will now be managed out-side Lima. Ministries in the

drought-stricken Arequipa is proposing to swap cheese and canned milk for Bolivian cattle

capital will set norms but the regions will execute policy.

However, most assemblies see the arrival of Mr Fujimori's government as a threat to the gradual evolution of regional independence. Because of Mr Fujimori's exceptionally late election rise, his party is

entirely without regional repre-

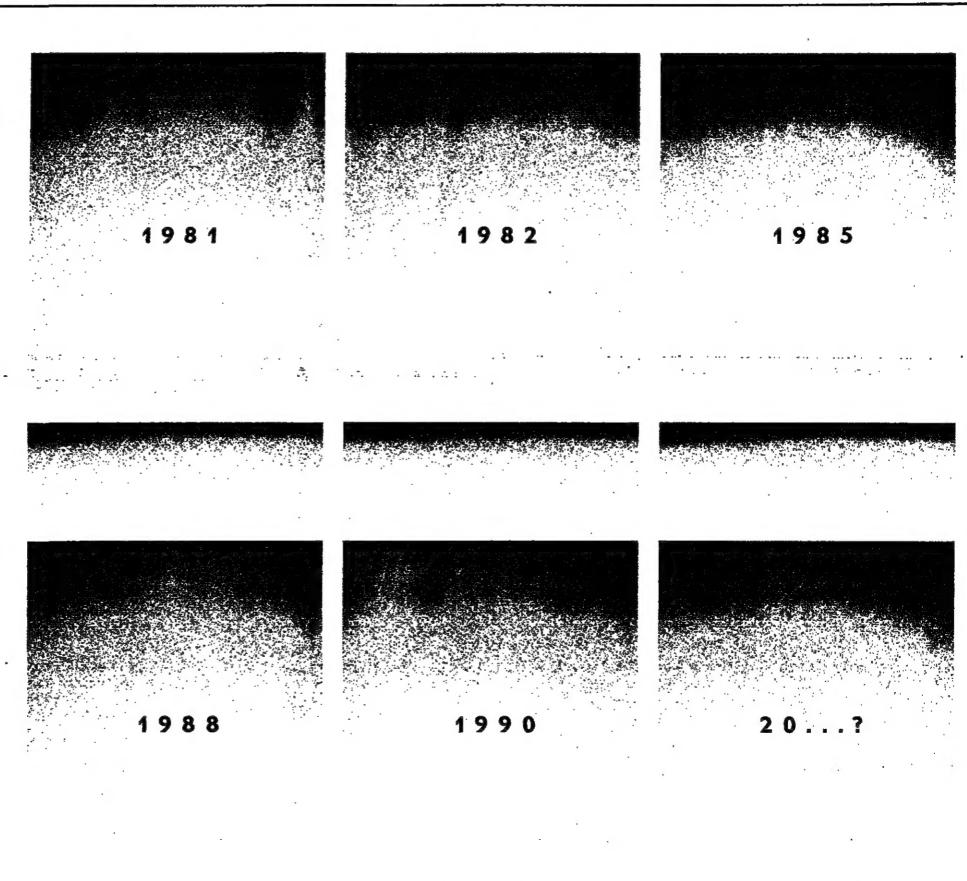
to regionalisation. But in his first months of government, he has enraged the regions with three decrees: cutting the percentage of revenue due to the regions from natural resources extracted thems helding the feet extracted there; halting the formation of a unified regional development banking system; and curbing regional powers to award local mining conces-

Worse still, he has failed to convoke the monthly meetings of the Presidential Commission on Regionalisation and has dis-banded the National Planning

Institute, the only co-ordinating body for the process.

Premier Juan Carlos Hurtado Miller says this does not indicate hostility to regionalization but author "carlo Miller Says the Carlo Miller Sa sation, but rather "a curb on actions carried out very precip-

Mr Leon Alegria dismisses this: "Centralists have been saying for a hundred years that we aren't ready, it's not perfect, we haven't got the funds. Now the people's expectations are raised, any frustration could cause a real crists." Several regions have already called token strikes in protest at what they see as threats to their new-found semi-independence. Anyone who sets foot Mr Leon Alegria dismisses dence. Anyone who sets foot outside Lima hears one phrase repeated like a refrain: "Regionalisation is irreversible."





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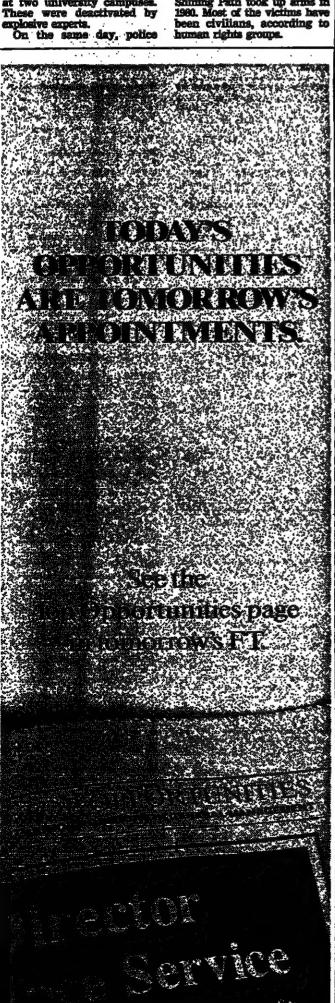
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Rover offer of 11% dashes pay restraint hopes

By Michael Cassell, Michael Smith and Paul Cheeseright

If the 30,000 manual work-

force accept the union negotia-tors' advice to take up the deal,

pay in year two will rise by 7.5

per cent.

Rover shrugged off suggestions that the offer was inflationary, insisting that the increases had to be seen over

two years.

The company said earlier pay deals at Rover had caused its production workers to drop down the car workers' pay league, a factor which had been taken into account during

the negotiations. Higher pro-

EFFORTS by ministers and Rover's 467,000 vehicles were industry leaders to restrain the level of British pay settlements suffered a blow yesterday when Rover, the car manufac-turer, offered manual workers

an 11 per cent deal. News of one of the highest "no strings" offers negotiated by any UK employer this year coincided with a stark warning from the Confederation of British Industry that unemploy-ment in Britain could rise by a

ment in Striam could rise by a million in a year unless "good sense" prevailed during pay negotiations.

The Rover announcement came the day after Mr John Major, the chancelor, renewed the street cells for a "cultural transfer of the chancelor, renewed the street cells for a "cultural transfer of the chancelor, renewed the street cells of the county transfer of the his recent calls for a "cultural change" among wage negotia-tors, following Britain's entry into the ERM. Last week, he

into the ERM. Last week, he predicted redundancies and company failures unless attitudes altered.

Details of the offer were not well received within the Treasury, which is resigned to both sides in the pay process taking time to realise that there is no leasers any prepare the description. longer any prospect of devalua-tion helping to bail out uncom-petitive companies.

Last year about a third of companies.

Polly Peck board meets over crisis

By David Barchard and

THE BOARD of Polly Peck International was meeting in London last night after Mr Asil Nadir, chairman, flew back from Istanbul amid few indica-tions that he had obtained the £30m in cash needed to save the group from immediate

administration.

Before leaving Istanbul, Mr
Nadir issued a defiant statement in Turkish but gave no
clue about whether he had
found any new cash in Cyprus

found any new cash in Cyprus or Turkey.

He promised to go on fighting for his three main Turkish operations, Meyna, Polly Peck's fruit and vegetable export business, Vestel Elektronik, its consumer electronics business, and the newlyopened Sheraton Voyager Hotel in Antalya.

"These investments of ours will be specially protected from external interference and there is no question of their being

the negotiations. Higher productivity bonuses would raise productivity, he added.

Under the proposed deal, consolidation of bonuses, together with changes to holiday entitlement and shift premiums, will take the cost of the package even higher.

In pay deals negotiated this year, few employers have breached the 11 per cent barrier. It is almost certain to have an influence on other pay negotiations, particularly those in the west Midlands and those involving other motor-related companies. external interference and there is no question of their being financially affected by events in London," Mr Nadir said.

In London, members on the steering committee of banks said they had not heard whether Mr Nadir had succeeded in having any cash paid to the UK from the banks with which it is said to be deposited in northern Cyprus. CHILD BENEFIT

Government tries to soften impact of freeze

AN EXTRA pound for all families was announced yesterday by Mr Tony Newton, social security secretary, as part of a package aimed at calming the political row over child benefit ahead of the next election.

The increase in child benefit for the eldest child in nearly 7m families softened the impact of a freeze for subsequent children at £7.25 - a rate that has not changed for

four years.

Mr Newton's announcement followed a week of speculation and apparent government dis-array over the future of child benefit. Mrs Margaret Thatcher prompted accusations of "pan-icking" after holding an hourlong meeting on Monday with Mr Newton and Mr Norman Lamont, chief secretary to the

In the House of Commons, however, Mr Newton said his proposals had been agreed with the Treasury almost two weeks ago and before the Conservative's suffered a humiliating defeat in the Eastbourne

by-election.

He rebuffed right-wing Conservative MPs — particularly the "No Turning Back Group" who have questioned whether child benefit should remain, saying it "is, and will remain, a strong element in our policies for family support". Mr New-ton won limited support from

Conservative MPs for his announcement but several made clear that they would have overall increases for all

The package which up-rated many benefits in line with inflation and increased support for people in residential care and nursing homes, will cost the government an extra £2.5bn. Mr Newton also announced his intention to reduce employers' National Insurance contributions by at least a quarter of a per cent at lower rates and by 0.05 per cent at the standard rate.

Mr Michael Meacher, the opposition Labour spokesman

cover the government's policy of freezing child benefit and a direct response to the Eastbourne by-election. Mr Archy Kirkwood, the Liberal Democrais spokesman, said it was a "miserly change".

Child welfare organisations were also disappointed. Charities involved in the Save Child Benefit campaign generally thought that the £1 extra was a poor second best to uprating.

Mr Ian Sparks, director of the Children's Society, said he

extra pound, which will cost £350m, was a "mere figleaf" to

substantial increases" for those in residential care and nursing homes, which would cost £225m, reflected steep rises in the cost of nursing homes.

But he announced freezes in some levels of statutory sick pay to take account to the growth in occupational sick pay schemes. The lower of the two statutory sick pay rates would be up-rated fully but the higher rate would be

unchanged at £52.50. There would also be changes in the way employers are re-imbursed for their expenditure on sick pay accompanied by off-setting reductions in the rates of employers national insurance contributions.

was still not convinced that the government was "behind the principle of child benefit". Mr Newton said the "very opposition Labour spokesman on social security, said the European Community offers mixed payment levels

BRITAIN'S system of child support is simpler than that of several other European Community countries and about average in its level of generosity. Straightforward comparisons are diffi-cult, but have been attempted in a UK

france: mixes universal and means tested benefits and is designed to encourage larger families, with no payment for the first child and an increasing rate per child in larger families. Child tax allowances also exist. Germany: combines flat and means

tested benefits with child tax allowances and a tax credit mechanism to help non-texpaying families. The sys-tem has been reformed several times in the past 15 years. A recent feature is a child-rearing universal benefit payable to mothers or fathers who stay at home for six months following a child's

hirth.

Italy: since 1987 has had a means-tested benefit, with 12 levels of pay-ment. Payments per child are higher in larger families. Child tax allowances

also exist at flat rates.

Spain: both basic benefits and tax allowances are available, but at relatively low rates. Larger families attract larger per child benefits.

Greece: has a four-tier income test for benefits and tax allowances for the first two children only.

Ireland: similar to the UK, with a basic, flat-rate benefit at a rate lower than UK child benefit, but increases for families with six or more children.

Portugal: has benefit and tax allowances, but pays a higher rate of benefit for the third and subsequent child only where family income is less than 1.5 times the minimum guaranteed wage.

Belgium: has relatively high basic benefits, which increase with family size. There is also a supplement related to the age of children, with higher pay-

ments for 6 to 11-year-olds and still higher figures for 12 to 15s and over

Lorembourg offers a generous mix-ture of benefits and tax allowances, also skewed in favour of larger fami-

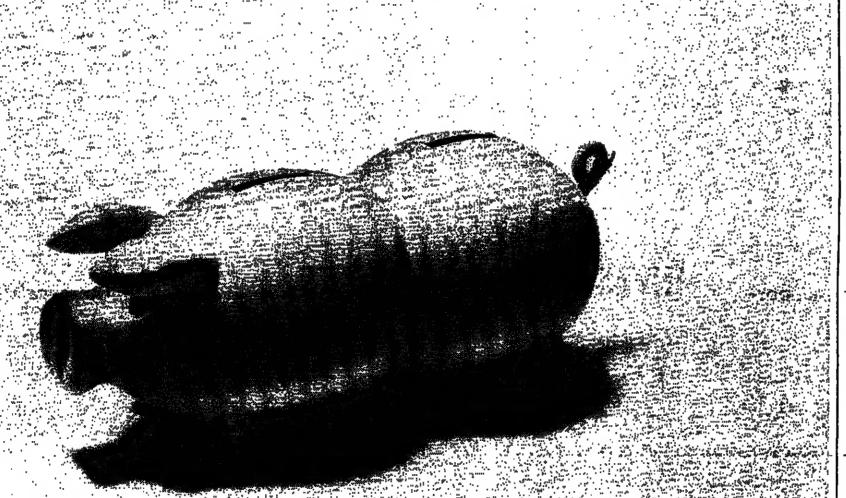
The Netherlands: a non-taxable benefit is paid, weighted in favour of larger families and with higher payments for older children. These benefits, introduced in the early 1960s, are seen as a

substitute for tax allowances.

• Child Benefit: options for the 1990s.

Joan C. Brown. 1-5 Bath St. London,

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BRITAIN IN



US team to aid Hoover profit drive

American owners of Hoover are flying in a "special task since" to Merthyr Tydfil, Wales, European headquarters of the domestic appliance concern, in a hands on move to bring the company back into profitability. The team begins work on November 1.

Mr Daniel J Krumm, chairman and chief executive officer of Mayths, which officer of Maytag, which bought Hoover in a 2500m deal two years ago from Chicago Pacific, said in Iowa, USA, that the special group would draw up a plan for "the

rebirth, rejuvenation, stability and a return to profitability of Hoover's British operation Mr Ian Bonnar, the company's associate director of manufacturing, said yesterday the company was "not losing money".

Rothermere looks to TV

Lord Rothermere's Associated Newspapers, publisher of the Daily Mail, is planning a return to commercial television in the UK after an

absence of 10 years. The company intends to bid for stakes in commercial television and national radio networks as part of a gradual expansion away from its newspaper and magazine base into television and radio programme production. Lord Rothermere confirmed that he was in negotiations with a consortium planning to bid for a major ITV franchise when commercial

Electricity profits warning

to competitive tender next.

Warnings about the vulnerability of electricity company profits are contained in a draft of the industry's privatisation prospectus which was leaked to Friends of the Earth, the environmental

group.

The warnings point to the possible adverse impact on the industry of moves towards the more efficient use of energy and stress the volatility of the final supply business of the regional electricity companies.

The 127-page draft says a tax on fossil fuels and other

anti-poliution measures may in future "affect the competitive position of electricity in relation to other energy sources and hence the pricing considerations of individual electricity suppliers."

Building gloom as orders fall

The recession in the construction industry deepened during the three months to the end of August as carders awarded to

contractors fell sharply. Environment Department showed that total orders won by contractors in Great Britain fell by 8 per cent during June, July and August compared with the previous three

Five face court on tunnel death

Five British firms building the Channel tunnel were committed for trial on charges relating to the death of a renating to the death of a construction worker. The firms — Balfour Beatty Construction Ltd, Costain Civil Engineering Ltd, Tarmac Construction Ltd, Taylor Woodrow Construction Ltd and Wimpey Major Projects
Ltd — are being prosecuted
following investigations into
the death of Gary Woodward. year ago.

Dissatisfaction over health care

Consumer satisfaction with the UK's health care system is low by international standards, according to a survey by the Harris Research

The study says 25 per cent of those surveyed believed that the system worked well. Only the US and Italy rated lower than the UK in the table of consumer satisfaction. Canada came top, with 56 per cent believing that its health system worked well, followed by the Netherlands, France

Pollution levels to be broadcast

Traffic pollution levels in towns, cities and the countryside are to become a regular feature of weather bulletins, the government has announced. Air quality will be designated "very good", "good", "poor" or "very poor", depending on the amount of exhaust and industrial fumes in the air.

Shipyards face German threat

Excess shipbuilding capacity in east Germany, now part of the EC, means redundant



yards in Sunderland in north-east England are unlikely to be reopened. Mr Douglas Hogg, minister for industry, has said. He defended British Shipbuilders' decision to anction the yard's plant and equipment next month before selling the site to the Tyne and Wear Development Corporation. Mr Hogg said EC regulations meant no shipbuilding could take place in the yard for the next nine years and surplus capacity in the EC made it unlikely this

decision would be reversed.

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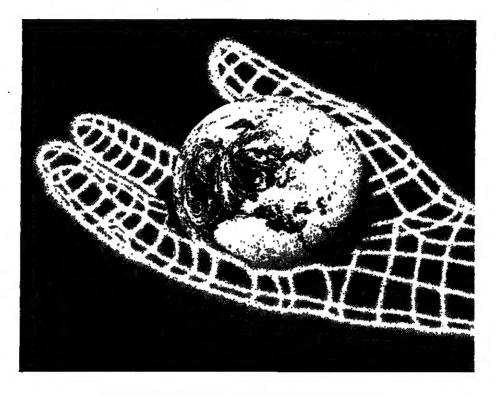
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UK NEWS

BAe to face competition on orders for new missile

By David White, Defence Correspondent

to make British Aerospace (BAe) face competition for a new air-to-air missile, for which the company has up to now been the sole contender.

The original BAe-led project, the Advanced Short-Range Air-to-Air Missile (Asraam), will have to compete for the contract, estimated to be worth contact, esimated to be with 2700m-2800m, against a rival-bid from GEC-Marconi in col-laboration with Matra, the French missile producer. The potential market for the successful missile in other

countries including the US would be significantly larger. The weapon is intended as a successor to the widely-used American Sidewinder.

The government's decision comes as a blow to BAe, whose plan to form a European mis-sile group with Thomson-CSF of France was referred to the Monopolies and Mergers Comn last month.

It follows a series of troubles with the Asraam project, con-ceived as the European side of a US-European programme for a new generation of weapons a new generatain of weapans to equip Nato fighter aircraft. Despite a squeeze on the Ministry of Defence's equip-ment spending, Mr Alan Clark, minister of state for defence procurement, confirmed the

THE BRITISH government is RAF's staff requirement for a new short-range missile in a written parliamentary reply this week. But he said the contract would be decided on a competitive basis.

The US, Britain and Germany reply this week is not be decided on a competitive basis.

many signed a memorandum of understanding 10 years ago, under which the US would develop a medium-range mis-sile and the Europeans would work on a short-range missile.
Each side would be committed to buying the other's missile and might also manufac-

Responsibility for the short-range Asraam project was switched from Germany to the UK in 1988, and last year

the Germans pulled out.

UK officials have been struggling to keep the original agreement alive and to guarantee a US market for the Britishtee a US market for the Strinsh-led missile. However, delays in the Asraam project have incurred strong US Air Force criticism, and it is feared that Washington might declare the agreement vold on the grounds that the missile will not be

fully operational by 1994. BAe and GEC-Marconi are expected to be asked to submit proposals next month and to place formal bids in March for a UK government decision later next year, BAe put for-

ward a revised proposal at the beginning of this year, reduc-ing the price for development and initial production from a pest estimate of about 11bn.

BAs has been discussing per-ticipation in Asraam by Hughes Aircraft of the US, replacing the Germans as supplier of the weapon's seeker head. Hughes, a General Motors subsidiary, is prime contractor for the US programme, the Advanced Medium-Range Air-to-Air Missile (Amraam).

The MoD has said it will consider all bids complying with with the 1980 memorandum of understanding. It is understood to have confirmed to GEC-Marconi that proposal, based on the French Mica missile, meets

France is developing this missile with two seeker systems to cover both close-range and longer-ranger combat. But the Marconi-Matra contender for the British project would be remodelled to meet the shorter-range require-ment only, with an infra-red

GEC-Marconi's ambition to contest the Asrasm project emerged this summer. GEC-Marconi has long been the main supplier of guidance systems for BAe missiles.

Royal Navy considers 'radical' cuts

THE ROYAL Navy is studying "radical and tough" proposals for streamlining support operations, including dockyards and naval bases, according to Vice Admiral Sir Jock Slater, Chief of Fleet Support. He would not give details of the kind of cuts under consideration but said: "Nothing is

A plan would be ready in about six months, he said. Among the decisions to be made was how much refit and repair work should be given to the Royal Dockyards in order to maintain their "strategic capacity", and how much should be farmed out to com-

mercial contractors.

The UK's remaining government-owned naval dockyards are Devonport near Plymouth and Rosyth on the Firth of Forth, both run under private-parter representations 1987. sector management since 1987, and the Navy's own fleet main-tenance facility at Portsmouth, in south-west England.

in south-west England.

Under the private-management plan, the Ministry of Defence proposed to put 20 per cent of its "core programme" of naval repair and refit work out to open competition, increasing the proportion to 30 per cent at the end of seven years. Un to now competitive years. Up to now competitive contracts have mainly involved ships of the Royal Fleet Auxiliary (RFA).



The scene of yesterday's massive car bomb attack in Londonderry which killed five soldiers and one civilian

IRA condemned over hostage bomb killings

By Raiph Atkins and Our Belfast Correspondent

MR PETER BROOKE, the Northern Ireland secretary, said the IRA had "sunk to new levels of depravity by using people, whose families have been held hostage, as human bombs" in yesterday's two attacks in which six soldiers

ware killed.

Five of the soldiers, all members of the King's Regiment, died when a car bomb was driven into the check-point at Buncrana Road, Londonderry. The man ordered by the IRA to

drive the bomb to its target is missing but police later confirmed that an unidentified body had been found at the

seriously hurt in the attack and more than 20 civilians were treated for injuries. The other soldier, a member of the Royal Irish Rangers, was killed in a similar attack at the check-point on the main Belfast-Dublin road, near Newry. In that incident, the man

forced to drive the bomb to the check-point suffered a broken leg when he jumped from the van and shouted a warning seconds before the blast.

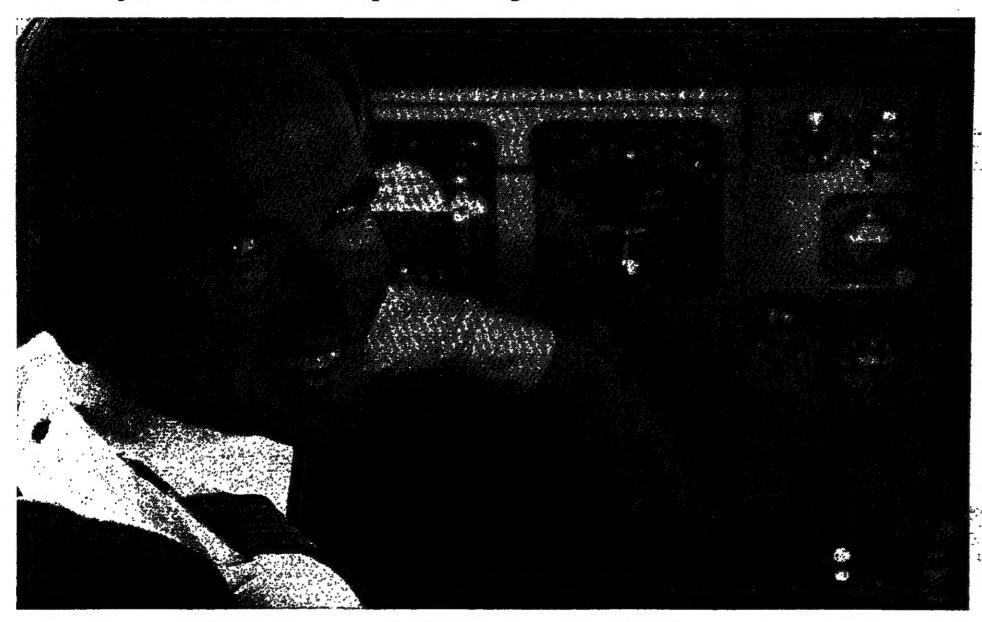
In a third car bomb attack on a Tyrone army base, police said the driver was strapped to the seat to prevent him getting away. The man drove the bomb to the Omagh base and managed to wriggle free before a small explosion, believed to have been caused by the deto-Admitting responsibility for the attacks, the IRA claimed the men ordered to drive the vehicles containing the bombs had carried out work for the

security forces.

The murders were condemned by all the province's
main political parties with the
exception of Sinn Fein, the
IRA's political wing.
Police in the Irish Republic

are questioning seven men in connection with the Londonderry bomb explosion.

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At least, if we were happy just to follow the statutory standards laid down by manufacturers. But we think that's too little to meet the uncompromising quality levels we've set ourselves. Lufthansa was the world's first airline to practise a radical and farsighted technology that checks the health of our engines every second they're in

flight. And even at the design and production stages of our aircraft, we leave nothing to chance. On the new 747-400, our technical teams carry out over 1,000 additional checks on top of the manufacturer's own quality control.

To illustrate our quality level in another way: just imagine that behind every second seat on a Lufthansa plane, there's a Lufthansa technician. It's when you realize you have that much perfection behind you that you can really explain the good feeling of flying Lufthansa.



Hurd 'agonises' over use of force in Gulf

By Ivor Owen, Parliamentary Correspondent

MR Douglas Rurd, the foreign secretary, yesterday made a tacit admission that western leaders were agonising over how much longer the use of force to expel lraq from Kuwait could be delayed. While reaffirming that the

have been caused by the deto-

government continued to hope that the tightening of sanctions would accure Iraq's "com-plete and unconditional" withdrawal he said the situation could not be allowed to drag on in its present state indefinitely. Mr Hurd, speaking in the House of Commons, refused to set a deadline for sanctions to prove effective, but accepted that at some stage the US, Britain, and the other nations

involved would have to take a wiewon the prospects.

He said the military option could not be discarded, and that it had to be seen as a "reality" if the peaceful pres-sures to reverse Iraq's aggres-

sures to reverse Iraq's aggression were to succeed.

Mr Gerald Kaufman, the opposition spokesman on foreign affairs, renewed Lebour's backing for the implementation of the resolutions approved by the United Nations Security Council requiring Iraq to withdraw unconditionally from Kuwait.

There was praise from both

These was praise from both sides of the House for the role played by Mr Edward Heath, the former Conservative prime

the former Conservative prime minister, in securing the release of sick and elderly British hostages from Iraq.

Mr Hurd said it was "repulsive" that the Iraqis should set about deciding who was so sick and so old that they should be released from a position in which no human being should over have been blaced.

Executives consider benefits of buy-outs

By Charles Batchelor

MANAGERS who stage buy-outs need to be tough because they will be faced with taking rapid and unpleasant decisions to make their busidecisions to make their businesses more profitable, Mr
Antony Hichens, chairman of
Y J Lovell (Holdings) told the
Financial Times conference on
buy-outs in London yesterday.
But once the buy-out has
been completed, there are often
"astonishing" opportunities to
cut working capital without
damaging the business. Capital
spending could also be halted
for three to four years in many
businesses without damage, to
allow the buy-out finance to be
repaid, Mr. Hichens said.

allow the buy-out finance to be repaid, Mr. Hichens said.

Most businesses had "nuggets of yaine" which were worth more to other companies than the buy-out management. Managers should beware however of selling off perts of their business which fitted in with their long term plans and which could increase the value of the overall business on flotation or sale, Mr. Hichens said.

tion or sale, Mr Hichens said.

There was no prospect of mezzanine finance being offered in a securitised or tradeable form in the UK, Mr James Odgers director of Inter-mediate Capital Group, said. There were not enough buy-out deals of sufficient size and mezzanine finance was not sufficiently standardised for it to be offered for sale in the same way as junk bonds had been sold in the US.

Mr Odgers stressed differences between UK and mezzanine finance and US junk bonds. Before the collapse of the US junk bonds had begun assuming the risks attached to equity without equity returns he noted out equity returns, he noted. The more cautious approach by banks and other lenders has

made it impossible to finance highly leveraged buy-outs in the UK, according to Mr Roger Broke, chief executive of Candover Investments. Deal makes the control of the cont ers now talked of UBOs unleveraged buy-outs - he noted.

Despite this, Candover had completed more deals this year than in any other in the past 10 years. Prices were becoming more reasonable and managers were learning to accept smaller amounts of equity.

Mr Broke forecast a revival

of of "agreed de-listings" of quoted companies despite



BUY-OUTS THEIR FUTURE

this sort of deal. Candover was

this sort of deal. Candover was looking at two or three such transactions, he said.

Optimism about prospects for leveraged buy-outs in the US was expressed by Mr Charles Ames, of Clayton & Dubliler, a US buy-out investor. There were still under performing businesses available; prices were more reasonable. prices were more reasonable, and there was a growing emphasis on the need for US corporations to focus their activities.

A major weakness of many companies was their lack of market focus, he said. Many claimed to be market driven but they lacked a deep understanding of their customers' needs.

Nu-Kote International, for-merly the business supplies and forms division of Bur-

and forms division of Burroughs, had improved revenues and gross margins by stressing marketing, said Mr Hubbard Howe, chief executive.

After the buy-out, Nu-Kote had concentrated on improving its service to wholesalers by helping their customers order with greater accuracy and by reducing the stocks wholesalers needed to hold. Buy-out investors who understood investors who understood operations would win out over those who took a financial approach, said Mr Howe.

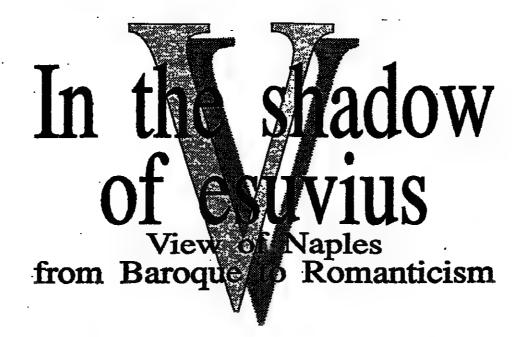
in Germany, management buy-outs have been regarded as exceptional, if not exotic though prospects for an increase in numbers are improving, said Mr Bernd Fahrholz, head of corporate finance at Dresdnerbank

Mance at Presimerrank.

Many of the 20,000 medium sized German companies had succession problems while in East Germany, 8,000 formerly state owned companies were potentially available for privatisation. isation.

Buy-outs were one way of maintaining the diversity and flexibility of German industry, he said.

consid



London, 26th October - 27th November 1990 Accademia Italiana delle Arti e delle Arti Applicate 24, Rutland Gate, London SW7

he exhibition «In the Shadow of Vesuvius», sponsored by IRI, was originally held in Naples between May and July this year and was highly acclaimed. The exhibition is now in London, and this is certainly no coincidence.

The original exhibition focused on the connection between Naples and the many foreign artists who visited the city, many of whom were British. Naples, the capital of the Kingdom of the Two Sicilies, was renowned for encouraging the spreading and exchange of culture across its borders, as a great European capital should do.

IRI, the largest conglomerate in Italy, has been operating in Naples for a long time in a wide range of activities - electronics, information technology, shipbuilding, steelworks, telecommunications, transport. The sponsorship by the IRI Group of both the Naples and London exhibitions testifyes on one hand, the desire to preserve the history of this great city and, on the other, an international commitment, made even more timely by the fast approaching European Single Market.

The very theme of the exhibition-great «views» of the city and bay - involves insight into the relationship between man and nature, city and country, man and history, great architecture and back alleyways, all of which are part and parcel of today's new-found love of «the land».

Naples in the 18th century, and especially at the turn of

that century, was home to an Anglo-Italian society set in the fertile cosmopolitan cultural climate of the Enlighten-

The links between Britain and the Kingdom of Naples were not only artistic; there were strong commercial connections too. Naples was the farthest point south on the Grand Tour for many rich young travellers. These connections were born of the extraordinary progress achieved in the British textile industry and in the field of mechanics, which were to contribute to the beginnings of modern industry in Southern Italy in the early decades of the 19th century, and to Italy's first railway line, full of symbolic importance, which linked Naples and Portici.

The works gathered in this exhibition enable us to revisit the Neapolitan history, both high and popular cultures, in the warm and luminous tones of landscapes now world-famous. First and foremost though, these works stand to signify the heartfelt wish of the IRI Group, that the great European market will be a perfect occasion to renew the traditional bonds of friendship between our two countries.

Franco Nobili
Chairman of IRI

The exhibition will be opened by the President of the Italian Republic in the presence of H. R. H. the Princess of Wales



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Trends in UK drinks

The froth on the flat beer market

Despite a recent slow-down, no-alcohol/ low-alcohol lager is the only sector with growth potential. Philip Rawstorne reports

drastic reduction in the number of brands of no-alcohol/low-alcohol beers -so-called nablabs - during the next few years is now being widely predicted in the UK

brewing industry.

Brands proliferated during the heady growth years of the late 1980s. More than 50 were launched in 1988-89. But the sector is now losing some of its froth. Volume growth slowed last year to 30 per cent after more than doubling in each of the two previous years.

The nablabs market — estimated by the Economist Intelligence Unit in 1989 at 640,000 36-gallon barrels, 1.6 per cent of the total beer market and worth £180m in retail sales - looks likely to be increasingly dominated in the 1990s by four or five heavily-promoted prod-

Costly advertising campaigns have been a feature of the rapid growth in nablabs consumption from one pint in every 1,000 pints of beer in 1984 to more than one in every 100

last year.

Spending on television, press, and radio advertising of nablabs has averaged 6p a pint compared with less than 1p a pint for full strength beers one of the reasons, together with higher production costs, why the retail price has not reflected the savings on alco-

hol duty. Advertising has undoubtedly helped to make nablabs more widely acceptable, particularly among younger, style-con-scious consumers. Few could have foreseen some 10 years ago that such products would gain consumer acceptance on

the present scale. When Barbican, the Bass-brewed no-alcohol lager, was introduced by Britvic Soft Drinks in 1979, it was regarded as a bit of a joke by a largely unreceptive market. But the brewer correctly anticipated changes in consumer attitudes to alcohol and health and to drinking and driving during the 1980s and Barbican survives today as one of the major

brands in the sector. Several low-alcohol lagers were launched during the early 1980s but, by 1985, nablabs sales still only amounted to 70,000 barrels, worth some £15m, and a mere 0.2 per cent of total beer sales. The negative image of the products, seen as poor imitations of fullstrength beers, "distress pur-chases" made to avoid drinkdriving risks, was an obstacle

to growth.

The market was given a substantial boost in 1986 with the launch of Kaliber, an alcoholfree lager, by Guinness. Some £1m was poured into market-ing it as a serious drink to be consumed for its own sake: any obvious connection with drink driving was avoided. Kaliber's image helped to raise the credi-bility of the nablabs sector as a

New brands then poured into the nablaba sector. Low-alcohol lager pioneers such as Danish Light and Dansk LA from Denmark, and Clausthaler from mark, and Clausthater from Germany, were joined by Swan Light from Allied-Lyons, and Tunnent's LA from Boss. Whit-bread introduced White Label, a low-alcohol bitter, in 1987, and a host of others, including alcohol-free bitters from Guinness and Bass, followed in the next two years.

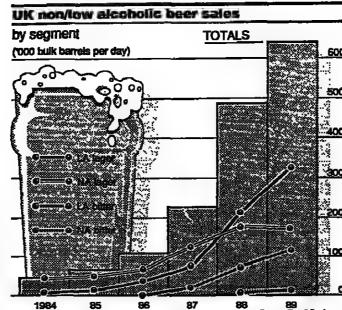
Of the £10.5m spent on tele-vision, press and radio adver-tising last year, three brands - Tennent's LA (£3.1m), Kallber (£2.4m) and White Label (£1.75m) - accounted for

around 70 per cent.

Tennent's LA - helped by its association with the Tennent's brand of full strength lagers as well as the Bass pub estate - leads the nablals sector as a whole. Swan Light is the second best-selling low alcohol lager. Kaliber and Barbican domi-

nate the no-alcohol beer mar-ket. Whithread's White Label is gaining an increasingly firm grip on the low-alcohol bitter

Despite the slowing growth rate, nablabs still offer the brewers of these principal brands a lucrative source of



profit that is worth fighting for in the 1990s.

The sector is expected to be

one of the most dynamic in a virtually static beer market. The EIU survey forecast that sales of nahlabs would scar to £550m by 1995, and would reach £850m by the turn of the century. Total volumes would increase to 2m barrels by 1995, and 3m barrels (or 7 per cent of total beer consumption) by the end of the decade.

Other research agencies are more cautious. Mintel estimates growth for the 1990s to 1.6m barrels; Henley Centre for Forecasting has lowered its initial emphoric estimates to 1.8m The brewers themselves are

even more sober in their calculations. Whitbread suggests annual growth of around 5 per cent, producing a market for im barrels by the year 2000. With the market in such an early stage of development -six out of 10 adults have not yet tried any nablabs, according to the EIU - it would seem that lower-strength beers will continue to benefit from further changes in attitudes towards alcohol, health, and

social responsibility.

Drink/driving remains the major reason for buying nablabs; but the efforts of the brewers to promote wider ecceptance does seem to be finding an increasingly recep-tive response from the health-

Much will depend on con-tinuing improvements in the tasta of the products. The Campaign for Real Ale was scath-ing in its verdict on most brands tested in 1986 and only 7 per cent of consumers.

according to the EIU survey, prefer the taste of nablabs to that of any other drink. But quality has improved with better brewing techniques, and some early brands have been reformulated.

The retention of some alcohol is generally considered to make it easier to replicate the authentic taste of the full-strength product. Most of last year's growth in the sector was accounted for by low-alcohol hitter (the most recent entrant to the market) and low alcohol lager; and together they now form 70 per cent of volume

Many in the brewing indus try believe that the low-alcohol products will continue to increase their market dominance, especially as the big brewers' products, Bass's Ten-nents LA lager and Whit-bread's White Label low-alcohal bitter become more widely

available on draught. However, the battle with the alcohol-free beers, Kaliber and Barbican, is not over yet. Con-sumer awareness of the strengths of beers is very low. Guinness discovered in a sur-vey last year that half of all respondents thought there was no difference between low alco-hol (less than 1.2 per cent alco-hol by volume) and no alcohol

(less than 0.05 abv) products.
The success of the alcohol-free beers in stemming the decline in their market share may turn on their ability to raise consumer awareness of the distinction Guinness's advertising is already being geared to the proposition that the Ealiber drinker need have no concerns about the amount he drinks.

Telephone services

When help is just a call away

Legal expenses insurance has grown over the past decade, reports Richard Lapper. Now individual and corporate policy-holders are being offered stress-counselling

telephone. So says Jim Collett, manage of professional and advisory services at Legal Protection Group, the legal expenses insurance subsidiary of Sun Alliance

Telephone marketing has already had an appreciable impact on motor and home insurance. With the prolifera-tion of special advice and help both potential marketing advantages and the way that the lines can help reduce the cost of insurance claims.

Recently a subsidiary Royal Insurance set up what it calls a "telephone stress care service" — a commercial "Samaritans" service — which it hopes will be bought by, among others, employers hop-ing to reduce the cost of stressrelated absenteeism and ill-

nesses to their business.

Telephone marketing is now an established feature of the insurance scene in Britain. Selling policies by phone allows insurers to cut out the costs of selling through bro-

Motorists, for instance, have been able to obtain their insurance over the phone for over three years with Direct Line the insurance arm of the Royal Bank of Scotland, Churchill, a subsidiary of Wintertur, the Swiss insurer, as well as gen-eral insurers like Royal Insur-ance and General Accident. Over the past year telephone sales have been extended into the home buildings and con-

Legal expenses insurers have ploneered the help and advice ines. Legal Protection Group, like other insurers active in the UK's growing legal expenses insurance market, offers policy-holders a telephone-based legal advice service on matters ranging from how to manage a dispute with a neighbour to counselling on personal debts.

Legal expenses insurers, which provide cover for the costs incurred in taking legal action, started telephone-based legal advice services in the early 1980s. All players in the market — including Legal Pro-tection group, CareAssist,



Hambros, Cornhill and DAS offer the service to their policy-holders in a market worth between £45m and £50m a year

in premium income.

Two companies - DAS and Cornhill - are German, the latter being the UK subsidiary of Allianz; legal expenses insurance was originally devel-oped in West Germany. When CareAssist, then trad-

When CareAssist, then trading as an independent company but now part of Royal Insurance, introduced its service, it did so as a way of controlling the number and cost of claims lodged under legal expenses policies. CareAssist found that policy-holders undertook legal action unnecessarily and — from an insurer's point of view — expensively.

expensively.
The telephone service was conceived as a way of "nipping problems in the bud", says David Hatley, product strategy manager. "Sometimes potential legal problems can be solved simply by making people more sware of their rights. Collett sware of their rights." Collect says that another advantage is that LPG's advice line has been a good way of keeping in touch with policy-holders. Leading legal expenses insurers sell the service either

as part of an insurance policy or independently to employers, which can offer it to employees

as an employee benefit, or to banks, which use it to enhance the value of their own prod-ucts. A bandful of trade unions and professional organisations

also buy the service and offer

it as a benefit to members.
Collett says small busines in particular are frequent users of his own company's legal advice line. He says the fact that legal advice is available on tap 34 hours a day can be especially attractive for businesses with pressing problems which may not fit into a solici-tor's 9 to 5 schedule.

General Accident launched a help-line for all its personal policy-holders last year, which it claims can take care of all the practical elements of a claim just from one phone call. your car breaks down, the help-line handles everything from sending a breakdown vehicle to providing a hire car.

When the service was saunched in July 1989, the cen-tre, based in Hamilton, Strathclyde, employed 16 people. It has lately been receiving 1,600 calls a day and GA plans to increase the staff to 60 by the end of the year. Last week CareAssist, a sub-

sidiary of Royal Insurance, the UK insurer, launched Britain's first commercial telephonebased stress counselling service. The service, which could

be linked to employers' Hability or medical expenses insurance policies, is designed to deal confidentially with stress problems ranging from difficulties at work to marital break-up. Insurers are also examining the possibility of offering medical advice over

the phone.

CareAssist's new product called StressCare - aims to reduce the incidence of stressrelated problems like absenteeism and occupational illnesses.

A recent CBI study concluded that stress-related illnesses contributed to annual losses of

£5bn a year. CareAssist employs a team of trained counsellors who are on hand to talk callers through stress problems before they develop into crises. The scheme could be incorporated into employers' liability or medical expenses insurance policies and made available to policy-holders. Alternatively, employers and trade unions can buy in the service - at an annual fee of around £5,000 for a company with 1,000 employ-ees. The 40,000 strong Professional Association of Teachers is the first body to purchase the service.

A number of commercial stress-counselling services have been developed in the US, partly designed to limit the number and size of insurance costs. Most existing so both in the US and the UK are based on face-to-face rather than telephone contact with counsellors in the employers'

In the UK, stress-counselling services operated by Personal Performance Consultants (owned by Willis Faber and the US company PPC) and Focus
(originally part of the Whitbread Group) are of this type.

There is some controversy
about the relative merits of the
two types of counseling. Alis-

tair Anderson of PPC says that telephone counselling can have only a marginal impact. He is also critical of the level of expertise of telephone counsel-lors. Stephen Manton, managing director of CareAssist, says face-to-face schemes are much under-used and that the element of confidentiality inherent in the telephone scheme should help improve take-up.

JF Pacific Warrant Company S.A. ANNUAL RESULTS TO 30TH JUNE 1990*

Net Assets at 30/6/90

US\$79.4m

+3.5%

+16.5%

Increase in Net Asset per Ordinary Share (Sterling)

+20.4% +35.5%

• Increase in Preference Share Price (Sterling)

Increase in Ordinary Share Price (Sterling)

+2.8% +15.81%

Extracts From Chairman's Statement

44 Your Company's portfolio over the past year has produced satisfactory results, in spite of the recent turbulence in the Japanese market. The Company's net asset value and price per share both rose last year whilst the Tokyo Stock Exchange Index declined by 19.8% in sterling terms.

The Japanese warrant market itself continued to expand during the first half year providing the Investment Advisers with a wider choice of company names and better marketability.

New warrant markets emerged this year in Thailand, Malaysia, and Korea and it is expected that the Indonesian

government will authorise a company to issue warrants soon. The scope of investment opportunity throughout the region continues to expand encouragingly. Your Company stands to benefit from that growth."

A.H. Smith 3rd October, 1990

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FINANCIAL TIMES

Notice to Bondholders

Smith & Nephew plc £90,000,000 4 per cent **Convertible Bonds Due 2002** (the "Bonds")

NOTICE IS HEREBY GIVEN that Smith & Nephew pic, formerly known as Smith & Nephew Associated Companies pic, ("Smith & Nephew") has, pursuant to Condition 14 of the Bonds and with the agreement of The Law Debenture Trust Corporation pic, the trustee for the Bondholders, amended the Terms and Conditions of the Bonds to enable Smith & Nephew to offer to Bondholders one or more additional put options exercisable after 7th

If any additional put options are offered, their value will be protected from an exercise of Smith & Nephew's call option. In accordance with the existing terms, the value of put options are not protected in the event of redemption for tax reasons

The following is a summary of the amendments, which are embodied in a supplemental

Trust Deed and details of which are set out in a revised Extel Card: Smith & Nephew may, with effect from 7th Mey, 1993, pay a higher rate of interest on the Bonds for a period specified by Smith & Nephew.

Smith & Nephew may, with effect from 7th May, 1993, pay supplementary interest. In the form of a lump sum, on an additional put option data, but only where an additional put option has been offered and accepted by a Bondholder.

Smith & Nephew may, on 7th May, 1993, or on any additional put option data pay supplementary interest in the form of a lump sum where a Bondholder chooses not to exercise the put option on any such date.

Smith & Nephew may elect to grant an option to Bondholders to extend the Maturity Date of Bonds to a date to be specified by Smith & Nephew, if any of the Bondholders agree, the final Maturity Date and the relevant conversion date of the Bonds held by such holders will be extended, otherwise the Bonds will be redeemed on 7th May, 2002 and the last day for conversion will be 30th April, 2002 (the 7th day prior to the Maturity Date).

Smith & Nephew may, with effect from 7th May, 1993, in the case of (ii) above, offer a redemption yield calculated on the basis of the redemption yield of another

An underwriting option has been added enabling Smith & Nephew to require Bondholders exercising their put option on 7th May, 1993, to sell their Bonds at the 1993 put price of 1933/2% to a third party, which would underwrite the placing of those Bonds in the market. A similar option will apply in respect of the additional put options if granted and in respect of the Maturity Date or any Extended Maturity Date.

(vii) An underwriting option has been added enabling Smith & Nephew to require Bondholders excercising their put option on 7th May, 1993, or any additional put option date to convert the Bonds into the underlying Ordinary Shares of Smith & Nephew and in such event arrangements will be put in place for a third party to underwrite the placing or purchase of those shares in the market. An amount, equal to the amount which would otherwise have been payable on redemption of the Bonds will be paid in cash by Smith & Nephew to the Bondholders in the usual way. A similar option will apply on the Maturity Date or on any Extended Maturity Date in respect of Bonds which have not been presented for redemption, save that the Trustee may within seven days after the Maturity Date or Extended Maturity Date convert such Bonds into Ordinary Shares which will be sold for the benefit of those

(viii) Smith & Nephew may elect, on the exercise of its call option, to offer Bondholders (in lieu of amounts otherwise payable on the exercise of a call option) an amount of Ordinary Shares which the Bondholders may elect to receive on exercise of conversion rights together with a cash amount representing the difference between the current market value of the Ordinary Shares and the amount that would otherwise be payable by Smith & Nephew upon the exercise of a call option.

The period for exercise of the Bondholders' put options on 7th May, 1993 and, if granted, any additional put options will commence not less than 14 days and not more than 24 days prior to the relevant optional redemption date.

Full details of any changes to the terms of the Bonds are to be notified to Bondholders prior to the periods during which they may exercise any put option. Copies of the revised Extel Card are available in the Extel system and from the Principal

Paying Agent National Westminster Bank PLC Stock Office Services

20 Old Broad Street London ECZN 1EJ This Notice has been issued by Smith & Nephew plc which is solely responsible for its

Smith & Nephew pic

25th October, 1990

BUSINESS LAW

Vat groups to get a new competitive edge in Europe

By Dominic Taylor

year the test to determine whether one company is the subsidiary of another is no longer satisfied by a simple majority in share ownership.

Section 736 of the Communica

ownership.
Section 736 of the Companies
Act 1985, which defines subsidiary and holding company, has
been changed.
The previous alternative

The previous alternative tests of share ownership or control over the composition of the board of directors are replaced by tests determing control over voting rights on the board of directors.

At the same time a new con-

At the same time a new concept of "subsidiary undertaking" enters the Companies Act and this means, among other things, that some previously off-balance-sheet operations will need to be shown in the accounts of the "parent undertaking".

These changes offer Customs and Excise the opportunity to review positively an important aspect of Vat administration—the group registration facility. Vat grouping can provide significant savings in tax by rationalisation of procedures but it is available only to companies sharing common section 736 control.

Vat groups already established by reference to share ownership will be reassured to know that Customs will apply the new conditions only to applications for grouping made after the changes came into

Companies registered as a Vat group benefit from being treated as a single taxable entity in a number of ways not available to groups where the companies are registered individually. They are able to transfer resources, both goods and services, between themselves without attracting Vat charges.

This is particularly important to those engaged in Vat exempt activity who could otherwise suffer large Vat costs on inter-company transactions. But, in an era of substantial Vat penalties for accounting errors, it is almost as important to any group of companies where Vat could easily be omitted from internal billings. In addition, the aggregation of group turnover means that

In addition, the aggregation of group turnover means that the monetary limits on errors ranking for the imposition of Vat penalties are higher, so individual companies are less likely to be penaltied if they become members of a group. The larger combined turnover of groups means as well that they are able to tolerate a greater level of exempt or non-taxable transactions without becoming subject to special Vat accounting regulations.

Grouping is also good for the

overseas operating subsidiaries of UK businesses, which might otherwise find it an ardnous task to recover the Vat on management charges, and which will find they can recover Vat on UK expenses through a group registration.

Vat grouping and the changes in the Companies Act share common European ground in that the former has a basis, like the rest of UK Vat law, in an EC directive dealing with the harmonisation of Vat

regard to the Seventh EC Directive on company law.

The two meet in UK law because Vat grouping is available to companies sharing common Companies Act control.

However, the UK enactment of Vat groups is otherwise a less than adequate reflection of the broad concept of fiscal unity to be found in the European law.

in the Community (the Sixth Directive), and the latter has

pean law.

Article 4 of the Sixth Directive on Vat provides for legally independent persons established in a member country of the EC, who are closely bound to one another by financial, economic and organisational links, to be treated as a single

It is a broad concept and is not restricted to corporate bodies, nor does it require one member to control another or all members to be commonly controlled.

Despite its defects, the UK

along with Germany and the Netherlands leads other European countries in implementing this piece of Community legislation. It has, however, chosen to model the UK law on direct tax principles ill-suited to the characteristics of Vat, which is an indirect tax.

In addition to confining a

In addition to confining a group to corporate bodies only, there is a residency test, which is loosely based on principles applicable for income tax and corporation tax.

This Customs and Excise

test requires a foreign company wishing to be a member of a UK Vat group to have at least one board director resident in the UK.

This test, irrelevant to Vat, produces the paradox of European businesses with a branch established here for decades

but unable to group with their UK subsidiaries because they cannot satisfy the largely meaningless residency test.

Article 4 allows the UK to group not just commonly controlled companies but any business entities (including subsidiary undertakings) established in the UK and closely bound to one another by financial, economic and organisation links. The implementation of this concept in full could produce a powerful economic tool for the

exchange and utilisation of col-

lective resources, unhampered by Vat considerations. Europe is moving towards cross-national entities with the introduction of European Economic Interest Groupings (EEIGs), which are intended to be fiscally transparent so that their activities are taxed only in the hands of the individual participants in their own coun-

However, Customs have so far stated that KEIGs in the UK will be subject to the normal Vat rules. The implication of this statement is that if they make no taxable supplies here they will not recover Vat on

Clearly, fiscal transparency does not fit in easily with the requirements of a transaction tax, but the introduction of the full Article 4 provisions would allow Customs to treat an ERIG as a Vat group, with equivalent benefits in Vat terms to those produced in respect of direct taxes by fiscal transactions.

Such treatment could well encourage more businesses to use the UK as the location for such joint enterprises. Present UK Vat group registration rules would not allow this treatment.

For UK businesses the application of the full provisions of Article 4 would, for instance, facilitate the setting up of special business groupings to collaborate on new products and services and market than in the expanded European single market. Vat has, in the past, proved to be a significant obstacle to co-operation agreements of this nature.

Sadly, Customs seem at present to be heading in the opposite direction. They have put forward the view that grouping was intended only to be an administrative convenience and not primarily to provide a source of tax relief for intercompany transactions or otherwise to mitigate the direct cost of the tax

of the tax.

They say that member companies should not assume either that the group is truly a single entity for the purposes of tax or that they are relieved of all consequences for Vat of inter-member transactions.

Accordingly, Customs have in recent years moved to block what they perceive to be

m recent years moved to hook what they perceive to be abuses of the system, taking measures to charge tax on movements of assets into and out of groups and to impose further conditions on membership by close scrutiny of group ambigations

Whilst it appears unlikely that the UK will regress to the Italian group model, which allows only for group tax returns to be made, it would be a pity if we missed the chance to introduce trading groups free from unnecessary taxa-

The argument that an expan-

sion of group Vat relief would be costly in tax terms is largely spurious and should be dis-

couraged.

Vat is levied at each stage of production but, because relief in the form of input tax is given to each intermediary in the production chain, it is effectively collected from the final consumer.

It can therefore hardly be argued that by relieving groups of producers from charging Vat between themselves the overall tax yield would be reduced or the revenue endangered.

nue endangered.

In fact, tax administration costs and the risk to the revenue will be reduced if there are fewer taxable transactions taking place which need to be monitored.

In this matter, Customs should be encouraged to take a bold and broadminded view of tax operations and not to allow their role as tax collectors to interfere with the other primary function of taxation as an economic tool of govern-

With a tax now as complex

as Vat it is almost imperative that we relieve businesses of as much of the burden as possible and take full advantage of simplification measures, such as Article 4 allows.

The author is senior tox manager at City solicitor Ashurst Morris Crisp.

BUSINESS TRAVEL

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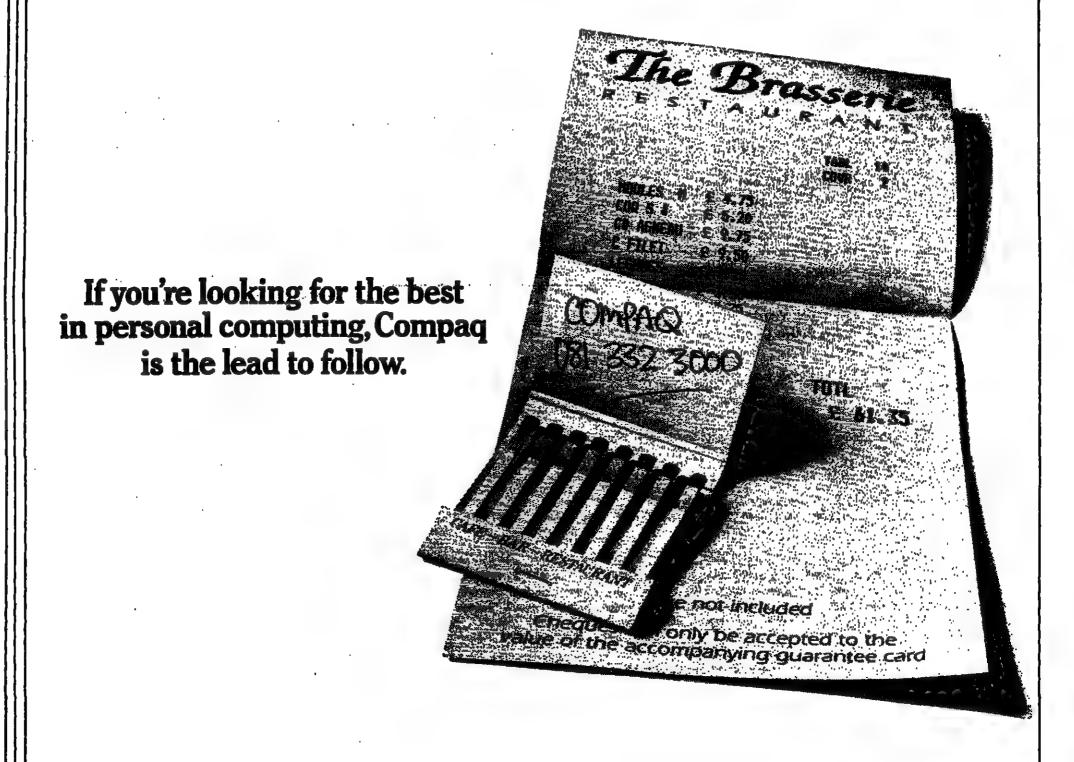
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FINANCIAL TIMES



COMPAQ

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Computer requires a dust down

FOR MANY international organisations - banks, credit cards companies, airline reservation organisations or international manufacturers - the thought of a mainframe com-puter breakdown is the worst corporate nightmare.

One of the big problems is finding out what causes the breakdowns and, if possible, preventing them. According to a recent survey by the Hard-ware Environmental Protection Agency, a US-headquartered company specialising in computer environments, it may not be the hardware or software that is to blame. It is more likely to be the room in

which the computer is housed.

"As computers have become
more sophisticated they have
also become more sensitive," says Storm Larkins, chairman of Hepa. He points out that as electronic componentry is squeezed closer together inside the machines, a stray dust particle landing on the circuitry

As a result, according to the Hepa report, 50 per cent of all computer hiccups are caused by environmental problems. And Hepa predicts that will grow to 75 per cent by 1995. Larkins points to five culprits in the computer room. • Fluctuating temperatures -the temperature needs to be

strictly controlled. Discrepancies in the relative humidity of the atmo-

spnere.
Carbon dust - common around badly-scaled window frames, particularly where they overlook a car park. Concrete dust, from underfloor structures which have not been properly scaled. • Rust from air conditioning units which are not working

properly.

In the past Hepa, which has worked mainly for the large mainframe and supercomputer manufacturers in the US, has concentrated on diagnosing the problems after they happened. Now the company is moving into Europe where Larkins hopes that large computer users, and computer manufac-turers, will take the lessons of the US on board and try to prevent computer failure by cleaning up the anvironmen before problems occur.

n the rm up to Fujitsu's acquisition of ICL this summer John Gardner, the UK managing director of ICL, made half a dozen lengthy telephone calls to David Stewart, deputy clerk at Manchester Magistrates Court. It had nothing to do with parking violations however. Stewart is chairman of the ICL Computer Users Association

Computer Users Association (CUA), and he offers this tale as illustration of how seriously ICL takes its relationship with its user group. "We were privy to the announcement before the press," says Stewart, and the CUA was able to prepare its own briefing for members

the day the deal broke.

ICL has learnt the significance of taking its user group with it, says Stewart, "and if anything, the CUA has yet to capitalise on ICL's readiness to listen. ICL would welcome more push from users. The

Furthermore, as some of the old loyalties break down due to pressure from open systems environments, suppliers will be even more careful to stay close to their user groups.

It was not always thus. John Goodfellow, president of the European Unisys Users Association (UUA), and general manager of Skipton Building Society, recalls that 20 years ago "relationships between suppli-ers and their customers could

The early history of commer cial computing is littered with arbitrary changes in technical direction, licensing and pricing policy — and corporate owner-ship — which severely embar-rassed users, particularly those on this side of the Atlantic.

The user group, at once pres-sure group, talking shop and social club, was the customer's response. The concept is not unique to the computing indus-try but the hundred or so organisations with unpleasant acronymic names such as ADUS and UKCMG remain one of its curiosities, the accepted forum for users to share their problems, and a working example of the ambivalent relation-

ship computer users have with their prime suppliers. User groups are, with a cou-ple of exceptions, non-profit organisations. They flercely protest their independence although company liaison rep-resentatives invariably attend meetings to offer the company line and to hear grievances. At the same time a distinction can be drawn between supplier or product specific groups - the CUAs - and broad technical Della Bradshaw forums such as UKCMG, the former Computer Measurement

Dave Madden explores the benefits of computer user groups and their relationship with suppliers

The influence of a collective voice

Group, or the UK Unix User

Group.
Yet while they are all run voluntarily by IT practitioners. perhaps supported by a small administrative secretariat, some have developed into large sophisticated organisations in their own right.
The ICL CUA is an umbrella

organisation for some 35 indi-vidual user groups, which take a special interest in anything a special interest in anything from local government to particular hardware platforms. Similarly the IBM CUA, with a membership of more than 1,400, or one of its sub-groups meets in the UK every week. Invariably these national organisations are affiliated to larger pan-European or interarger pan-European or international groups such as UUA Europe and to the National Computer Users Forum (NCUF), the UK user groups'

NCUF, based at the National Computing Centre in Manches-ter, speaks for user groups col-lectively in debates such as the current Oftel review of the telecommunications duopoly, and increasingly it acts as a conduit into Europe.

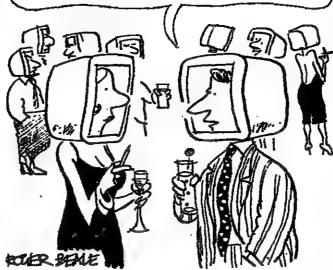
But does this structure

 Representation. ADUS, for example, the Hewlett Packard Apollo workstation user group, has around 350 members. That is probably only 20 per cent of the UK Apollo user community but, says chairman Steve Chaiterton, it represents more than 10,000 installed machines, and all the big users.

Similarly Martin Sexton, the Unisys director responsible for liaison with UUA, says that all the biggest UK users are represented within this group. The importance of that, says Bill Collin, secretary general of NCUF, is that user groups mar-shal significant purchasing power - and it is that power which can influence vendors.

The biggest UK user group, the IBM PC User Group (completely separate from the IBM CUA), boasts more than 10,000 members. It is something of a maverick in that it is run as a

WHEN YOU'VE SEEN TO ONE COMPUTER USER GROUP FANCY DRESS FARTY, YOU'VE BEEN TO THEM ALL



commercial business. It offers training, a consultants regis-ter, purchasing discounts and, in the near future, a leasing scheme to IBM PC and PC compatible users - much to the chagrin of some of its mem-bers, who frequently find themselves in direct competition with it.

Lobbying and influence. "In

the past we have played blue murder over some issues -two price rises in six months, for example - and won informal agreements that it would not happen again." says the IBM CUA's official spokesman. "IBM always says it consults users. It's not stupid, it looks hard at the market — but we are not that influential," he

ADUS's Steve Chatterton is more bullish. When HP acquired Apollo last year ADUS, then representing the Apollo community, was con-vinced that HP intended to squash the (Apollo) Domain product in favour of Risc techThat did not happen when the initial merged products arrived in June and Chatterton claims that ADUS can take

claims that ADUS can take much of the credit, "We played a big role in explaining to them [HP] just what a good product they had got hold of."

Richard Owen, HP technical representative at ADUS meetings, concedes that at first HP "didn't appreciate the amazing loyalty people had to this esoteric Domain technology".

But he adds. ADUS's voice

But, he adds, ADUS's voice was just one of many - not least ex-Apollo staff and Apollo's third-party software houses. It is this collective lobby, says Owen, that has been vindicated not just by HP taking the message on board, but by the Open Systems Foundation's adoption of Apollo architecture as the basis of its forthcoming distributive companies.

puting environment.

John Goodfellow argues that user groups worldwide do influence Unisys's product

strategy. In particular the UUA can offer a European view to telecommunications issues, for example. Unisys's Sexton says that in effect it has built up a business partnership with the UUA. The group and it mem-bers are privy to both Unisys's product and management strat-

egy, Sexton says.

At the same time the UUA recently delivered to Unisys a detailed analysis of the business outlook for its members, and what they would need from Unisys to stay competi-

However both the HP Apollo and Uniays experiences suggest that the bread and butter of lobbying has more to do with operational than strategic issues. Chattarton talks of the culture shock of now dealing with HP, a disparate organisa-tion many times the size of Apollo, and currently ADUS is lobbying over software licences and the complexity of the price list. Similarly Sexton points to Unisys capitulations over the years on maintenance clauses, years on maintenance clauses, and its invoicing practice.

• Experience. There is clear consensus that the opportunity to share experience within the user group is just as important as any problem solving or lobbying role. Obviously this is the raison d'être for the likes of UKCMG. It is a technical forum, but it applies to vendor-related groups too.

"User group meetings are a forum for exchanging best practice," Sexton observes, while the IBM CUA says the major benefit of CUA member-ship is undoubtedly "peer-to-

ironically, as open system architectures gradually penetrate commercial installations, and as long time IBM or ICL users begin to look beyond their proprietary environ-ments, this sort of informed peer group opinion will be at a premium. Far from compromising conventional user groups it could stimulate them.

It is precisely this shift that, John Goodfellow argues, will underpin the future of the user group movement. "User group relations (with suppliers) are much more mature and forward looking now. We are no longer trades unions there to beat up our supplier. We have a mutual interest.

"If Open Systems really is the gaure of the 1990s, and cus-tomers do become more transient, then suppliers will appreciate just how important user groups are in keeping customer loyalty. They will have to work even harder to keep you on their flavour of the

Motorola launches 'wireless' network

By Louise Kehoe

ombining cellular radio and computer technology, Motorola, the US
electronics group, has developed a system that will allow office computers to communi-cate without wired links via microwave radio signals. The system promises to reduce sigpificantly the costs of office computer networks.

The Wireless In-building Network (WIN) is not a new concept, but efforts to imple-ment radio links between office computers have so far fallen short of the performance of conventional systems. Motorola claims, however, to have developed technologies that overcome these limitations by using higher radio frequencies and semiconductor signal processing devices that reduce the size and cost of the transmission and receiver equipment. The advantages of a "wire-less" network within an office building are clear. While con-ventional networks tether

computers and their users to a fixed location, a wireless network would allow computers to move about freely within a building in order to meet changing requirements as workloads shift. The initial cost of installing

a wireless network will be competitive with conventional cabling, Motorola says, but the cost over the lifetime of the system should be lower ecause rewiring expenses rould be eliminated.

Networked data terminals are typically moved one to three times per year, accord-ing to industry studies, so the ing to industry studies, so the potential savings are considerable. "Given the physical, logistical and financial problems associated with wire and cable-based communications in a building, our goal was to develop a practical, high-performance technology to replace "the last 100 feet of wiring" to office desks and equipment," explains Bernard Smedley, senior vice president of Motorola's Radio-Telephone Systems Group.

ystems Group. The first Motorola product embody WIN technology will offer wireless local area network (LAN) communications between personal compoters at speeds of 15m bits per second, about 50 per cent faster than standard wired LANs. The product is scheduled for introduction in the US early next year with injura-tional shipments to follow. WIN technology is compati-

ble with existing network pro-tocols and standards such as Ethernet or Token Ring and can be used to extend or replace hard-wired networks. The WIN works like a minis-The Win works use a mina-ture cellular communications system, with "microcella" defined by the floors and walk of a building. Operating at microwave fre-quencies (18 GHz), very low

power signals are transmitted and received by units the size of a pack of cards. Microwave frequency signals are superior to lower frequencies currently used for wireless networks, Motorola says. Because the low power signals used to link computers are attenuated over relatively short distances, they do not interfere with other types of microwave communi-cations systems.

Use of this frequency for in-building communications was approved in the US by the Federal Communications Commission in April. Motorola is currently seeking approval to use its technology in other com-

Reducing the costs and size of microwave radio compo-nents to fit an office environment while achieving high

ment while achieving high speed error-free communications presented the company with several challenges.

Four new patented technologies are key to the WIN: an intelligent antenna that automatically and continuously selects the best signal for each data transmission; a single chip radio frequency digital signal processor for digital signal processor for data synthesis and recovery; Gallium Arsenide components used to build the ministerise 18 GHz radio; and a switch and single-chip high speed packet switch and network

injerface device.

The technology makes possible a whole family of high-speed wireless communications systems and compo-nents to be introduced over the next decade," said Edward Staiano, president of Motoro-la's General Systems Sector. "Over the next 20 years, we will witness a 'wireless evolu-tion' in professional and per-

Group Treasurer

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In just three decades shrewd Caymanians have transformed their mosquito-ridden fishing community

into a tax haven and financial centre that some say could act as a model for others, It is also an increasingly popular tourist spot. Richard Donkin outlines the political and economic outlook

Fishers of money men

Prince Philip hang benignly above the tourists queueing for passport control at Owen Roberts Airport in Grand Cayman, reminding them that they are entering a crown colony. North Americans need only their driving licences, Passports are required by other foreign nationals, including Britons. No slight is intended — US driving licences carry identity photographs, UK licences do not – the requirements are a reminder that the Cayman Islands are just 480 miles or one hour's flight from Miami. The older islanders still call the Queen "Mother" and the Governor continues to wear a white pith helmet crowned with royal swan feathers for esremonial occasions, but Cay-manian children play Ameri-can softball in school and almost everyone watches US tulvision shows.

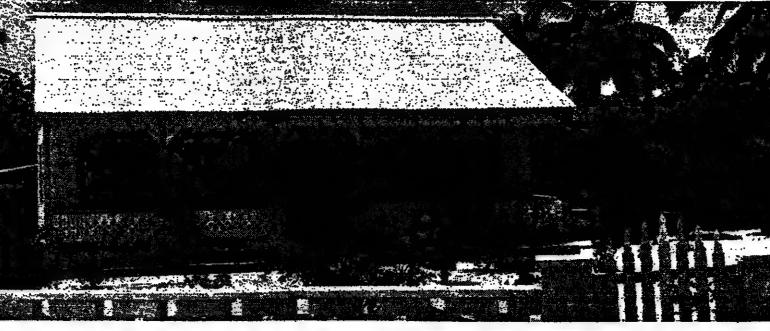
In a country where more than a third of the 26,400 popu-lation comprises non-residents, where the banks are run mainly by Britons, where the hotels are run by Americans and where the buildings are built by Jamaicans, it might, wrongly, be suspected that

・ 一年 小農園

 $p \approx 2^{-3} \frac{2^{-3} k_{\rm p}^2}{2^{-3}},$

native Caymanians contribute little to their society. In fact, Caymanians have a great sense of their own identity. They have one of the wealthiest societies in the Caribbean, with a GNP per head of CI\$15,000 in 1988, and devote their energies and inge-nuity to keeping it that way. Politically, the islands have been going through a period of growing pains. Some members are demanding a more developed constitution, although retaining the political safeguards afforded by the Crown. The UK Foreign Office has agreed to carry out a review of the constitution lest redistrate. in 1972, in the new year. Any latent desires for self-de rmination remain subordi-

nated to general recognition of the underlying benefits of the lalands' present status. Mr Alan Scott, the Governor, faced with a recent protest against the government from placard-carrying citizens was afforded the sort of respect that would be envied by most western leaders. According to one observer: "When they'd had their say, including cries of Scott out, they all sang God. Save the Queen and went



home." In spite of the experience, Mr Scott, who was Dep-uty Chief Secretary of Hong Kong before this appointment, appears to have a firm grip on internal affairs.

Although Grand Cayman is an increasingly sophisticated financial centre - it is said to of facsimile machines in the world - the image of high finance conjured by the presence of more than 500 banks is misleading. The capital, George Town, originally a fishing village, is essentially a booking centre with book keeper bankers. The \$340bn which was booked to Cayman banks last year largely com-prised figures on screens, albeit representing a large slice of international finance. The stringent confidentiality

Ine stringent commentanty laws remain in place, affording protection for those avoiding tax, but a Mutial Legal Assistance Treaty signed with the US in 1986 has paved the way for US drug money laundering investigations into Cayman heart accounts About 19 inout. bank accounts, About 12 inquiries under the treaty are currently before the Attorney

A good image is, of course,

sential to retain its competitiveness as an offshore omire in an area with many small island states offering similar

Caymanian legislation so impressed Mr Rodney Gallagher of Coopers and Lybrand, asked by the UK Government to cast a critical eye over the offshore financial centres in Caribbean dependent territo-ries, that in his report in January he described the islands as "an example for all in regard to the efforts made to introduce sensible and relevant procedures for regulation and super-vising of the offshore sector." Grand Cayman, Cayman Brac and Little Cayman, which constitute the Cayman islands, were first sighted by Christo-pher Columbus in 1503. They were rediscovered by Barclays Bank nearly 40 years ago when they were little more than a haven for mosquitos.

The Caymans claim to be the

remotest group in the Carib-bean. Grand Cayman, the largest at 22 miles long, is 150 miles south of Havana, Cuba, and about 180 miles west of

The two smaller islands, bout 80 miles to the

north-east of Grand Cayman are largely undeveloped. Cayman Brac, population 1,400, is a favourite among those who like a quiet holiday. Little Cay-man, 11 miles long with just 38 residents, has some of the best

scube diving in the world.

The original European settlers in the mid-17th century had been encouraged by Oliver Cromwell to colonise Janualca. A few families came with their slaves to the Cayman Islands, intermingling over the years, thereby removing potential racial strife.

Two family names, Ebanks and Bodden, so dominate the islands' telephone directory today, that the islanders tend to differentiate themselves by their first nam

For much of their history the islands were no more than a small seafaring community. Until the US merchant marine began to contract and economise in the early 1960s many Caymanians earned their livelihood from crewing ships.

Tourism, expected to attract more than 600,000 visitors this year, began as a trickle after the airport opened on Grand Cayman in 1850. The islands

dency of Jamaica, but when Jamaica chose to go indepen-dent eight years later the Cay-man Islands opted to remain a British Crown Colony.

The political stability of a colony, social harmony, improving communications, a simple statute book, no income taxes, and a welcoming approach to outsiders, pro-vided the besis for a new eco-

financial secretary and a grand old man of Cayman politics, insists he was the first to spot Cayman's potential as a tax baven. "But before we could do anything," he says, "we had to get rid of the mosquitos."

While much of the enabling legislation for banks and trust companies to settle in the islands was kild down in the 1960s, the first surge of interest came from banking refugees who abandaned the Bahanas when they were granted inde-pendence in 1973. The banks were able to oper-

ate with few restrictions and regulations and they became an important arm of the bank-ing operations of New_York, particularly in Eurodollar deal-ings. American banks found they did not need to fulfil reserve asset requirements when they raised deposits through their Cayman outlets, In the wake of financial

advances, Cayman has had to bring its infrastructure and society into the 20th century, two areas where it has enjoyed mixed success.

Prudent budgetary control has left it in a strong position on paper, but the need for large-scale capital investment in infrastructure has caught un with Cayman, at a time when many residents fear that the economy is in danger of over-

heating.

The simmering political debate which led a delegation of members to visit London in August to demand constitu tional reforms centres mainly on budget policies — whether to embark on costly schemes, labelled "grandicse" by oppo-nents, or to improve existing

The plans - curtailed by a backbanch revolt at the time of the last island budget but likely to be carried, with some revisions, in the next budget after changes to the finance committee threaten to tip the

tence to wealth in 20 years, but there may be a denger of overheating Turtie Farm: a unique live stock experiment....

IN THIS SURVEY

Property: rapidly expanding and profitable Financial services: Cayman has nurtured a range

Legislative background: "The Cayman Islands are an example for all . . . said a report earlier this

Tourism: a high revenue earner for the islands Banking: Cayman is one of the world's biggest bank booking centres. It ranks fifth in total banks deposits

Politics: Consensus politics no longer satisfy, and a constitutional review is

Related surveys .

The government, deprived o fiscal measures to rein in

growth, has placed a morato-rium on hotel building on Seven Mile Beach, the most popular area for tourism, and has warned that it could use its powers of veto on the granting of work permits, also to restrict growth.

Work permits are handed out, or removed, by the Cay-man Protection Board, one of the most powerful groups on the islands. In practice, the Cayman government is unlikely to wield this stick because it knows that Cayman owes its wealth to the expatri-

ate community.

More worrying is the reluc-tance of Cayman society to adapt to new demands arising from the growing expatriate community. Caymanians jeal-ously guard their citizenship and endow the status on only 12 new applicants each year.

It is too sarly to judge whether the growing non-resi-dent community, which may soon outnumber native Caymanians, could prove a source of future unrest, but the status of expatriates who have made Cayman their home will have to be addressed at some stage.

'ADVERTISEMENT

CAYMAN ISLANDS: a reliable and respectable place for business

From the Governor of the Cayman Islands His Excellency Alan J. Scott,





Alan J. Scott,

GOVERNOR

Since the last Financial Times Survey was published four years ago, we are happy to report there has been continuing progress and development in all

sectors of the economy. Cayman continues to welcome the best quality in new bank and trust operations; our captive insurance sector has grown significantly; and so has the number of registered companies. Our shipping registry has been raised to the highest level, with the necessary principal legislation and regulatons firmly in place, and backed by a highly experienced, professional Marine Survey team.

We continue to expand the high quality of professional services, across the board, and to maintain the high standards of our fourist industry. We welcome

the high standards of our tourist industry. We welcome all ethical and efficient business operations. Our own legislation and regulatory activities, and our record of international co-operation, are evidence of our determination to lend no support to criminal activities.

These Islands, although relatively small, offer sophisticated and efficient services in all aspects of offshore financial activities. We welcome all enquiries related to investing in the Cayman Islands.

IN JUST OVER 20 YEARS the Cayman Islands have been transformed from a little-regarded trio of tropical islands into one of the world's leading offshore financial centres. An economy which struggled along on philatetic sales and seamen's remittances has expanded dramatically to become one of the most successful in the Caribbean with average GDP growth in excess of 8 percent annually over the last five years. Real GDP per capita stood at approximately

CIS 16,400 m 1989.

This has been possible because of three basic reasons: a long history of political and social stability; sustained government policies ensuring complete freedom from direct taxation; and the friendly receptiveness of Caymanians to

On the firm basis of these assets has been built our thriving and respected financial centre, while alongside it has grown the other pillar of our economy, tourism, taking advantage of our tropical climate, clear waters and white beaches. Complementing each other, these industries have attracted large amounts of capital from overseas investors assured by the policies of our government and the attributes of our people.

This investment has financed large-scale construction of banking and other office complexes to house the business sector, and of hotels and condominium apartments for use by our steadily increasing flow of visitors. At the same time, the government has been enabled by healthy annual budgets to embark on its own construction programmes, so that we now have a range of public buildings - Legislative Assembly, Law Courts, Government Administration, Police Headquarters, Broadcasting House - as well as new roads and schools and modern port, airport and hospital facilities.

The capital investment programme, continued by successive governments, has been part of a consistent policy aimed at promoting the greatest good for the greatest number of people. Aspects of this policy have included the provision of adequate social services to ensure the all-round welfare of the community, and the equipping of Caymanians to play their full part in their country's future so that an acceptable balance is maintained between them and residents of other pricing.

between them and residents of other origins.

The pattern of government development has continued into the 1990's, keeping pace with that in the private sector, in which there have been remarkable advances in telecommunications, power generation; hotels, condominiums, office buildings, restaurants, ahops and other business.

Four years ago, when the last Cayman Islands survey was published in the Financial Times, the Budget estimated revenue at CI\$ 70 million, there were over 490 banks and trust companies licensed, over 17,000 companies registered and just over 320 insurance companies licensed. In the tourism sector, air and cruise ship arrivals had topped the 400,000 mark for the first

Our Budget for the current year anticipates revenue at CI\$ 102.8 million and the first six months over CI\$ 54.7 million had been collected. Over the last four years we have had successive Budget surpluses which reflect our commitment to financial prudeacy. It is a fact in which Caymanians take pride that our government has never needed grant-in-aid from Britain to balance the

For over 40 years we were assisted by British development aid grants, but these ceased in 1975, to be replaced by interest-free loans. The last of these was received in 1980, and while we are grateful for the help that Britain provided in our years of difficulty, we are happy and proud to be able to pay our own way without reliance on the British taxpayer. Our credit is good and among the borrowing sources we use for funding new projects the major one is the Caribbean Development Bank.

Our banking industry continues to grow, but this activity is now more focused on consolidation rather than expension, with emphasis on attracting and keeping high quality business. We now have over 530 banks and trust companies licensed, which is more than in any other financial centre. As a result of legislation enacted in 1979, Cayman has also become one of the

By the Hon. Thomas C. Jefferson, OBE, JP, Financial Secretary, First Official Member of **Executive Council and** Leader of Government Business in the Legislative



leading centres for the re-insurance industry, and we have over 500 companies

licensed, a figure surpassed only by Bermuda. And the successful promotion of our Islands has made them an increasingly popular vacation resort, visited last year by over 600,000 people arriving by air or cruise ship.

Just as investors feel safe in putting their money here, our visitors come and often come again - because they find that in the Cayman Islands they can and the come again - because they find that in the Cayman Islands they can relax among friendly people, where crime is minimal and there are no social tensions. Most of our visitors by air get a Caymanian welcome aboard the Boeing 737-400s of our national airline, Cayman Airways, which provides daily service from Miami and Houston and regular services from Kingston, New

York, Atlanta and Tampa.

In every aspect of our development it has been the policy of Government to ensure that, while welcoming investment and expertise from overseas, every chance is given for Caymanians to participate in their country's prosperity. Over 1,100 people are employed in our financial institutions, and I am glad to say that over 75 per cent of them are Caymanians and they are steadily rising to the highest levels of management and supervision in this key sector of our economy.

These have been termed "the Fortunate Islands" and this is true not least in the fact that we have had relatively low levels of unemployment and we have one of the highest standards of living in the Caribbean. And despite the fact that our population has risen rapidly to over 25,000 of whom over 9,000 have come from over 50 other countries, we have retained an enviable social

The years when these Islands were remote from the world have been left far behind. Today we have the most modern forms of telecommunications available, with satellite and marine cable links providing the telephone, telex, facsimile and databank services essential for our financial centre operations. With over 17,000 telephone/fax stations we certainly rank among the highest per capita countries in the world in the provision of this facility.

Such provision shows our realisation of the need to be forward-looking if Cayman is to remain in the forefront of international financial operations - a role reflected in the billions of Eurodollars involved in daily transactions here. We cannot afford to be complacent, for we are well aware of the potential fragility of a sector which depends on continuing confidence in Cayman as a reliable and respectable place to do business, as well as other world conditions

beyond our control. I have great confidence that, with public and private sectors working toward this common purpose, we shall maintain the image that has made possible our remarkable progress.

Pressures that would be envied

IN JUST 20 years the economy of the Cayman Islands has risen from low subsistence to that of a Caribbean cash register constantly ringing up new wealth.

For five years to 1988, the latest figure available, the economy grew on average by 10 per cent a year. In 1988 it grew by 15 per cent, allowing for inflation. Increasing tourism coupled with an accommodating approach towards development has led to a spate of hotel and condominium building and rising real estate

During the last decade the Caymans' budget more than tripled from CI\$30.8m to CI\$36.9m in 1989. While much of the income was spent on improving utilities, such as electricity and piped water, the rapid growth has continued to outstrip the islands' infrastruc-

The Government, with few fiscal powers of restraint, is now confronted by what some believe is a rapidly overheating

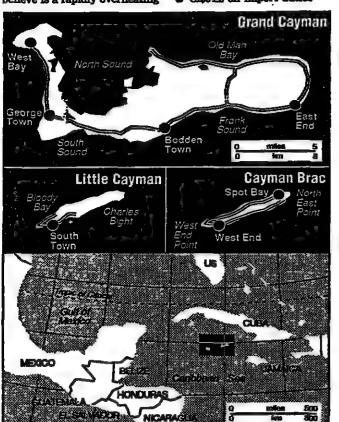
economy. The fears are underlined by Cayman's strong dependence on the US economy, particularly in the area of tourism, and the feeling that recession inevitably follows

That Cayman would suffer the full knock on effect of a US recession is not accepted, however, by Mr Thomas Jefferson, the financial secretary. He says: "We are catering for tourists at the upper middle price level. That market is not seriously affected by Chrysler shutting down and laying off people in Detroit."

people in Detroit."
Government revenue is drawn almost entirely from hidden or indirect taxes and duties on imported goods. Last year the customs and excise collected CI\$37.2m in revenues, about 40 per cent of the total revenue for the government and by far the largest slice of envernment income.

A breakdown of revenues for 1988 shows the amounts brought in by the following:

CI\$34.2 on import duties



Ci\$12m on stamp duty on land transfers
Ci\$5m on company fees
Ci\$5.5m on bank and trust licences
Ci\$2.7m on work permit fees

CI\$2.7m on work permit fees
CI\$2m on tourist room tax
CI\$1.9m on insurance

The new developments and the influx of people to construct and staff the banks and hotels has led to a population growth of nearly 10,000 in 10 years. Burgeoning traffic and demands of a modern wealthy society exposed via a proliferation of satellite TV dishes to the excesses of American consumerism, is placing ever more strain on the infrastructure. There are more than 12,000 motor vehicles for 133 miles of road on Grand Cayman.

While Cayman Brac and Little Cayman have so far survived with scant development, the charm of their hig sister has been heavily eroded by the impact of late 20th century urbanisation. Like a hungry caterpillar grown too big for its skin, Grand Cayman, led by the Executive Council members, is demanding large scale investment for the future — a dual carriageway to relieve rush hour congestion, a new CI\$20m hospital and new

The combined sum of the proposed projects, which have not yet been thoroughly costed and are already being trimmed as a result of political opposition, threatens to plunge the island heavily into debt for the first time. The prospect has among the new generation of Caymanian politicians and business people.

The most vocal critics ait on the backbenches of the legislative assembly, claiming they are now represented by a minority government. Many have changed their support since the 1988 election, protesting about the spending proposals. Further unease has been registered by the Cayman Islands Chamber of Commerce, representing 560 businesses, which has increasingly spoken out against the plans, which some feel are grandiose.

The developing economy is also confronted by social pressures — the need for pensions and care for the elderly. The pure form of capitalism that



Mr Thomas Jefferson

has swollen the islands' economy has been forced to embrace notions of collective social responsibility that can no longer be ignored in the headlong pursuit of wealth. The need for large numbers

headlong pursuit of wealth.

The need for large numbers of itinerant, mostly Jamaican, construction workers and British expatriates is causing tensions among Caymans fearful that they will soon be a minority in their own country.

The numbers of non-resident

The numbers of non-resident workers, however, can be seen both as the cause and the effect of economic progression. The financial centre was founded on the skills and expertise of the expatriates and it was built largely with the labour of Jamalcan workers.

Pension legislation, currently under discussion, which proposes to tie in contributions from expatriates who would receive no benefit from their contributions when they leave the island after a year or two, is causing some dismay among the non-resident community and would appear to reflect yet another divide in a society in danger of developing two tiers.

Of the two most significant pillars of economic growth — finance and tourism — the latter is perhaps the most susceptible to environmental pressures caused by unchecked expansion.

The tourists come for the sea

and the sand, but most of all for the excellent diving opportunities. Grand Cayman is not a chesp island, nor is it in any way sophisticated. For North Americans discovering the Caribbean, however, it is one more to notch up on the list of those to visit.

US tourists receive a warm welcome from US-style hotels with hash brown and streaky bacon for breakfast. There is an even warmer welcome for their dollars which allow the Caymans to boast a GNP higher than that of the UK.

Without the holiday trade,

without the holiday trade, the Cayman economy would be seriously undermined. Caymanians have been able to prosper without income tax or the need to directly tax the financial community mainly because of the large amount of import duties collected on drink, food and all the other essentials necessary to sustain an American family abroad.

an American ramily abroad.

Caymanians go to the US mainland to spend much of their domestic income because import duties, coupled with carriage costs often make goods in Cayman stores prohibitively expensive for islanders. One government economist estimates that at least 40 per cent of Caymanians spend their incomes in Miami.

The recent moratorium on hotel building on Seven Mile Beach, the main holiday area, could not have come too soon.

ist of ever, in that most of the beachfront gaps are being filled by warm condominiums.

Condominium developments may prove a substantial economic benefit in the long run. Apartment holidays are an attractive alternative to the hotels and some of the latest condominiums are high class apartments changing hands for the latest condominium are high class apartments changing hands for the latest condominium are high class apartments changing hands for the latest for the

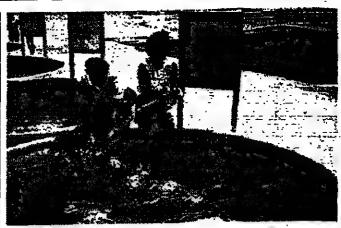
The use of hidden government taxes, such as tariffs on changing travellers cheques, room taxes in hotels, and airport duties, so widespread throughout the Caribbean, is a shrewd way of placing the tax burden on the tourist and so far does not appear to have

been a deterrent,
Mr Jefferson, is adamant
that the policy of value added
taxation will remain. "The consumer or resident is unlikely to
agree to any sort of direct taxation," he says.

agree to any sort of threet taxation," be says.

It appears a favourite pastime of Caymanians to forever
turn stones looking for a crisis
underneath. While the islands
clearly do have economic problems, they are the sort that
many of their Caribbean neighbours would gladly swap for
a, their own.

KEY FACTS	
Агее	263 so lon
Population	
Currency	
Average Exch Rate	.CI\$1.2/US\$1.0
ECONOMY	
	1966
Total GDP (CISm)	496
Real GDP growth	
Total GNP (CISm)	384
Real GNP growth	18,8%
Budget surplus as % of GDP	1,3%
All government debt as % of GDP	5.9%
Exports (CISm)	
Imports (CI\$m)	
Trade balance (CISm)	
Trade dependency**	
Inflation.	
External Habilities of all banks (US\$m)	
External assects of all banks (USSm)	281,032 . 1,613
fuernance: Bross exists (na)	. 1,518 4,481
fibración de estado (Athliforementalitationement	9.8%
Employment growth Visitor arrivals by see (000e)	315.8
Victor arrivals (800s)	
AMORE WILLIAM PARAMETERS CONTRACTOR CONTRACT	210.7
* May be understated due to not premiums being qu	erroe vd betor
companies	
** Exports plus Imports as a % GDP.	
Source: Cayman Islanda Stati	atical Abatract



The turtle farm produces about 12,000 hatchlings per year

TURTLE FARM

Floating assets

TURILE Number 314 (weight about 300 pounds; age somewhere between 40 and 65 years) gobbles a pellet of custom-made turtle chow, executes a languid U-turn and makes a slow, shallow dive to the bottom of the pool.

Number 214 and shout

Number 314, and about 15,000 colleagues, only just made it to their relatively pampered existence on the Cayman Turtle Farm.

Turtle Farm.

Before the economy of the Cayman Islands was transformed by tourism and financial services, Caymanians were seafarers, and the green turtle was the only easily available source of meat. The islands were originally named the Tortugas after the "tortoises", actually turtles. Over-fishing reduced the turtle population one experiment, and an unique experiment, and an unusual livestock operation, is trying to rebuild the numbers.

trying to rebuild the numbers.

"When the farm was started in 1967 the turtles were marketed worldwide. The farm started with the concept that such an operation would eliminate pressure on turtles in the wild," says Dr Fern Wood who manages the farm with her husband.

As a commercial livestock

operation, the farm ran into trouble in the 1970s when the Coventien on International Trade in Endangered Species (CITES) prohibited trade in turtle products, saying the animal was an endangered species. When the venture faced closure in 1983, the government bought it and operated it as a tourist attraction which also met local demand for turtle products.

"The sea turtle was listed as an endangered species, but the farm tried to get an exemption based on the belief that it was producing farm animals," says Dr Wood. "But under the convention it was not accepted as a true farm because it had not produced a second generation animal, and there was no reliable produced. We have now produced second generation animals, but there is still a question whether production is

question whether production is reliable."

The turtle farm produces about 12,000 hatchlings per year, of which just over half are kept to meet domestic turtle meat demand. The rest are released into the sea, some immediately, some a year later. Turtles for local consumption are processed in the farm's abattoir to produce mest products, skins and shell. Dr Wood says their efforts led to an increase in the sightings of turtles around the Cayman Islands, and there are indica-

tions that they are staying and feeding around the islands.

Last December the turtle form unforced at the k drout as crippling as the strictures imposed under CITES. A fresh storm hit Grand Cayman and thousands of young turtles produced on the farm were washed out to see when their tanks were destroyed. The damage, which the farm's management put at CI3400,000, could have been worse, were it not for the fact that the bracking stock, central to the farm's operations, had been moved inland a few days before the storm.

· Canute James

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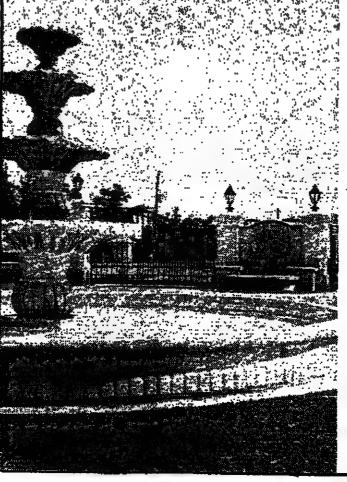
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For further information regarding the presale of model homes due for completion in the last quarter of 1990 and the choice of oceanfront estates up to 2 acres, write to:

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CAYMAN ISLANDS 3

of this year," he reports. "It is

now the off season, but in com-mercial terms we have had a

real boom in the first part of this year and some land prices

have doubled Prices will con-

tinue to rise. The cost of con-struction went up ten per cent

last year and we are looking at another ten per cent rise this

All this has placed a strain

on infrastructure and support

services. Utilities have to be provided to keep pace with

development, transportation

networks must be improved and labour must be imported.

The government recently

imposed a three-year mozato-rium on hotel construction on Seven Mile Beach. The inten-

tion, say officials, is to encourage hotel construction in other

But Mr Mario Ebanks, man-

PROPERTY: rapid growth may take its toll, says Canute James

Profitable investment area

decades in the tourist industry and the financial services sector has greatly expanded the Cayman Islands property mar-ket, mainly on Grand Cayman. Developers and realtors agree that there is hitle to suggest that the property market will soften, in spite of changes in the international economy, although that do severely. although they do expect sea-

Foreigners have been invest-ing in retirement homes and condominiums here. According to developers, many of the investors have had a holiday in the islands, and consider a con-dominium, or a holiday or retirement home a sound

Foreign companies involved in the financial services sector have also contributed by providing expensive homes for their expairiate employees.

On Seven Mile Beach just contribute Company outside George Town a linear foot of seafront, if it can be had, goes for US\$15,600. This has set the pace for property values in other parts of Grand

THE ARRIVAL last year of Mr

Rodney Gallagher, a director of Coopers and Lybrand, dressed for business, carrying a briefcase, and intent

upon examining the Cayman Islands as part of a British Government sur-

vey of offshore financial services in

the Caribbean dependent territories,

was viewed with some mistrust, if not outright resentment in George Town.

istered companies and bank accounts featured in US investigations into money laundering, illegal secretion of profits or tax evasion.

The islands needed to put their house in order while retaining the core of confidentiality which they felt

was necessary in order to survive as

an offshore haven.

That they achieved some success in

this is reflected in the opening remarks of Mr Gallagher's report, published in January: "The Cayman islands are an example for all in

regard to the efforts made to intro-duce sensible sud relevant procedures

for regulation and supervising of the

He continued: In many ways Cay-

man legislation in banking insurance

and company management represents a 'model' legislation which many

services have indeed followed".

The Caymans had suffered from a bad press in the early 1980s, and deservedly so. Dozens of Cayman-reg-

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beach front property sells for between US\$1,000 and US\$2,500

per sq ft. A sound economy and political stability have made property in the islands a sound and profitable investment. The market has also been encour-aged by the absence of restric-tions on foreign ownership of land, and by the government's land registration system which is helpfully clear on ownership.
"The majority of those buying property in the Cayman Islands are Americans, the rest being Canadians, Europeans and South Americans," says

and South Americans," says Mr Billy Culbert of Seales and Company, real estate brok "There are a variety of reasons for buying. Condomini-ums, for example, range from US\$200,000 to US\$1.5m. At the low end, the purchasers are buying with financing and are looking for mutal income when not using it. Over this range rental income would not support the purchase."
Mr Culbert says also that the
market is being influenced by

companies operating in the Cayman Islands which use real estate to capitalise their

There has been a concurrent surge in commercial property. surge in commercial property. In George Town's central business district, the cost of office sites has risen from US\$10 per sq ft in 1970, through US\$20 in 1980 to US\$60 per sq ft today. Realtors are forecasting US\$150 per sq ft by the end of this decade.

inevitably, the changes have effected the taste of Caymanians. There are two housing markets in Grand Cayman. explains Miss Christine Ballard, the director of planning. "In general, people build where they want to and not all of them are expatriates. Other areas, such as Safehaven and Governor's Creek, are million-

Mr Culbert says Caymanians have been selling their US\$150,000 homes and purchasing others for US\$250,000. "In ager of the chamber of com-merce, says this is not enough. 18 months before last Christmas the market was very flat, but we had a surge of torium on hotels on Seven Mile Beach alone," he says, "Other



Booch simed to case the strain on facilities

hotels in other places will also strain the infrastructure and

worsen the labour shortage. Planning regulations and idelines need to be revised and developers must be made to maintain architectural integrity. If we grow as we are growing now we will need sig-nificant investment in infrastructure," he adds.

Miss Ballard observes it was only in the last five years that it became apparent that the rapid development had out-paced infrastructure. Electrikeep up, and water is being handled well by desalination

est in Cayman in planning at the macro level." over. The US refused in spite of Canadian, Cayman and British government

sts at the application of US law

plants. But the problem with the road network is the most

She is worried about moves to encourage growth in other parts of the island without ade-quate intrestructure being installed.

Mr Rudyard Robinson, the

government's economist, says the problem goes deep. "Growth at current levels can-

level of available infrastruc-

ture," he argues. "But Caymanians see planning as a dirty word. There is no active inter-

in an overseas territory.

Some 40 subpoems later, with a fine amounting to \$1.8m, the bank surrendered the information. The case left a hitter residue in the Cayman Islands, which remain deeply suspicious of US inquiries into its affairs.

The case also underlined the need for Cayman to address drug money laundering and in 1984 it signed a narcotics agreement with the US under which the Cayman authorities agreed to allow specific investigations and sanction acquisition of documen-

helped in about 70 cases. Some 12 inquiries are currently under way.

The agreement paved the way for negotiations on a Munal Assistance Treaty signed in July 1986 and ratified this year. Mr Johnson says the treaty has provided positive advantages in frightening away drug money while also reassuring those who simply want to use the Caymans as a me of avoiding tax: "We stated quite clearly that inquiries about income or direct tax could not be accommodated

FINANCIAL SERVICES

Secrets of success

WHILE GRAND Cayman is best known as a banking cen-tre, its other financial services, including trust company for mation, captive insurance and even a small ship registry. demonstrate the increasing sophistication of this financial

community.
More than 23,000 companies are now registered in George Town. Many are companies held by family trust in corpora-tions worldwide. Others are subsidiaries or holding compa-nies. Many are held for chan-nelling profits out of sight of

the taxman.

Another important reason for offshore trusts or bank accounts is political instability in the client's own country. One of the key factors in their establishment is secrecy. Clients want secrecy — bank-ers and lawyers prefer to say "confidentiality" — for reasons ranging from wanting to hide

income from a spouse, to the president of a banana republic wanting to hide kickbacks.

The use of nominee share-holders and bearer shares can provide an almost impenetra-ble shield against investigators. One of the few improvements suggested in the Gallagher report (see Legisla-tive Background, left) was that a provision within the Compa-nies act to allow bearer shares for exempted companies should be acrapped. The idea

fell on stony ground. Bearer shares allow individuals to register a company, then take away the share certifi-cates which they keep or dispose of as they wish. They can prove particularly frustrating to attempts to trace a com-

Mr Bill Walker, one of the most experienced and respected lawyers on the Cay-mans, whose law practice, W S Walker and Company, has been handling trust company business for 26 years, says: "I always insist on keeping the bearer shares in my safe, but other companies allow people to take them away."

domicile for captive insurance

of Bermuda, indeed because of Bermuda. When Bermuda was taking so much captive work it could not ingest any

work it could not ingest any more, the Caymans stepped in to pick over the leftovers.

Most of the Cayman business initially involved establishing captives for doctors' groups insuring against medical mal-practice claims. Bermuda had shown less interest in malpractice captives, favouring those established by the large multinational corporations.

Bermuda has re-entered the

captive malpractice market, which has affected Cayman business, although most of its resident clients appear to be staying loyal to the Cayman

Growing financial sophistication is outlined by Richard Donkin

jurisdiction which employs a simpler law on captive insur-

The soft insurance market in the US and the adoption of laws in a number of US states allowing the formation of captive insurance companies is beginning to eat into a for-merly steadily increasing busi-ness for Grand Cayman.

The number of insurance licences issued in the Caymans fell for the second year running last year after rising steadily between 1981 and 1987. Fewer offshore licences have been issued in the past two years indicating that the busi-ness has probably reached sat-

Mutual Funda have been identified as one of the large growth areas in the Cayman nancial community, Mr Chris Johnson, a partner at Coopers and Lybrand, estimates that between 200 and 300 mutual funds have been established on Grand Caymen.

He warns, however, that accountants are becoming wor-ried that, without regulation of the funds, the island could leave itself exposed to the activities of companies such as

LEGISLATIVE BACKGROUND: by Richard Donkin

How a framework evolved

The Cayman Islands' development as an offshore centre began with its break with Jamaica nearly 30 years ago. For three years before Jamaica's independence in 1962, the Caymans debated whether to retain links with Jamaica or to become a crown column. Jamaica or to become a crown colony of the UK. They opted finally to become a dependent territory within the British Commonwealth.

The framework for development as a financial centre began to be established as early as 1961 when it passed legislation for the formation and organisation of companies. Five years later Cayman started to lay the legis-lative foundation for the financial

First, the Caymens withdrew from double taxation treaties agreed between Jamaica and other jurisdic-tions to which the islands had been a party. Under the treaties, Cayman had been required to provide financial treaty countries, particularly the US, which wanted to keep a sharp eye out for nationals seeking to avoid paying

The Banks and Trust Companies Regulations, the Trust Law and a new Exchange Control Regulation law in 1966 provided scope for the movement of funds by foreign investors.

Grand Cayman began to blossom as a tax haven. It was increasingly attractive to Americans eager to hide money from the taxman. But the US Inland Revenue Service followed on the heels of the tax dodgers. Subpo-nse were even served at US airports on American or Caymanian citizens about to leave for the Islands.

The government moved to stop the US intervention in 1976 with the introduction of the Confidential Relationships (Preservation) Law which made disclosure of information to third par-ties by banks or government officials a serious crime punishable by impris-omment or a fine. But what had been intended as an evira lawer to well Cauintended as an extra layer to yell Cay man companies from outside scrutiny was interpreted as a money launder-ers' charter by those who advised drug berons where their profits could

People used to come here with

their suitcases full of money. We their suitcases full of money. We thought it was because we were a tax haven. It really didn't dawn on us that some of it was drugs money being moved around," says Mr Vastel Johnson, a former finance secretary.

The years of 1988 and 1984 saw the islands under increasing pressure to co-operate in laundering investigations. The confidentiality law was sorely tested in 1983 when the Bank of Nova Scotia was caught between the powers of two jurisdictions. Signifi-cantly, it chose to defy the more powerful US, rather than break Cayman-ian law. The US subpoensed the bank to provide information in connection with marijuana smuggling in Florida and the channelling of proceeds into Cayman Islands accounts, in addition The bank's US subsidiary was fined \$25,000 a day when it failed to do so. The bank had pointed out that under Cayman law it could release the infor-mation if the US were to prepare an

affidavit for the Caymans Grand Court showing how justice would be served if the documents were passed tary evidence.
The Cayman authorities have so far

here since we have no tax treaty and non-payment of tax is not regarded as an offence. That had the effect of pre-venting fishing expeditions on tax Cayman, with \$60 offshore insurance licences in 1969, is the world's second largest

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COMPANY REGISTRATION

IN EXCESS OF 21,000 COMPANIES are registered in the Cayman Islands for purposes of investment, sales, trading, shipping, insurance, real estate and a wide variety of other taguets of intermittonal finance and commerce. To the benefits of operating in the Islands' stable tax-free environment are added the advantages of an efficient, computerised system of company registration and simple availability of company intermitted and a properties. Companies can be incorporated in two or three days.

The Companies Law is based on the United Kingdom's Companies Act, 1948, with simulations to suit the offshore situation. Four types of company may be registered: transparies limited by shares; companies limited by guarantee; unlimited companies, said not-profit astociations. They may be either ordinary companies, exempted companies or foreign companies.

Exempted companies, which form a large minority of those on the Register, are ficented to operate offshore. They can enjoy a government guarantee that should direct actuate the hitroduced they will be exempt from it for at least 20 years.

Analyzidy is guaranteed by a strict confidentiality law. Nominee shareholders are not recorded or known to the Registrar. Alternate directors may also be appointed, easing the statutory requirement of holding an annual meeting in the Islands.

A record have an advantage that an exempted company does not have to file audited annual accounts.

The Companies (Amendment) Law, 1989, added a new Part, Part XI - Transfer By Way Of Continuation. In essence, this allows for the import and export of companies between the Cayman Islands and the specified jurisdictions, provided certain

requirements are met.

Grand Cayman is well supplied with companies providing company management services, most of them being associated with local legal firms and accountancy practices. They are subject to registration and regulation by the Registrar. Such firms are able to provide registered offices, nominee directors and other similar services.

For a foreign company, which is a company incorporated outside the Islands but carrying on business within the islands, simplified registration procedures apply.

Enquiries about company formation may be addressed to:

The Registrar of Companies, Tower Building, Grand Cayman, BWI,

Tel: (303) 94-97999.

BANKING

THE CAYMAN ISLANDS have no central bank, and the money supply is regulated by

THE CAYMAN ISLANDS have no central bank, and the money supply is regulated by the Cayman Islands Currency Board, a statutory body set up in 1972 when the Cayman dollar (CIS1-US\$1.20) was first issued. The board maintains its reserves mainly in US dollar-denominated government guaranteed securities. At the end of 1989 the board's assets stood at CIS2-Stri, and currency in circulation amounted to CiS2-Lim.

Despite the lack of a central bank, the Cayman Islands have developed a remarkably sophisticated banking system, which has grown rapidly into one of the foremost offshore banking centres in the world. In a lititish Colony with a stable, progressive government sensitive to the needs of the banking community, banks have been keen to obtain licences to operate here. Other advantages include excellent communications, ready access to the currous ready market, a readily available pool of legal and accountancy expertise, and effective prudential supervision. As a result, there are now almost 540 banks and trust companies licenced by the government.

The emphasis in recent years has been to attract only well established banking corporations, and of the world's 50 largest banks 46 now have Cayman Islands licences.

orporations, and of the work? SO largest banks 46 now have Cayman Islands licences. The largest number are from Western-Europe (33 per cent), with North America (30 per cent) a close second, but overall banks from 60 countries are licenced. Total assets of the Cayman Islands operations of these banks reached some US\$359bn at the end of 1989, a figure reflecting the inlands' importance at the centre of the global enrocurrency

Two types of licence can be issued, "A" and "B", though there is also a restricted version of the latter which allows the licensee to deal only with certain named customers. In principle the distinction between the two categories is one of function rather than quality. An "A" licence bank, of which there are 33, may undertake domestic and offshore business, while a "B" licensee is limited to offshore business.

only.

The Inspector of Banks and Trust Companies, seconded from the Bank of England under the technical assistance programme of the International Monetary Fund, heads the Banking Supervision Department of the Cayman Islands Government. He and his staff conduct close supervision of banks in accordance with the Principles for close supervision of banks' foreign establishments, better known as "The Basic Concordat". Regular meetings are conducted with the banks and internationally accepted standards are required. Banks have come to expect supervision and the close, effective, yet market orientated, prudential supervision carried out in the Cayman Islands meeta this specification.

apecinication.

The Cayman Islands Banking Inspectorate is committed to playing its part in the war against money hundering. The Inspector has writing to all banks and trust companies drawing their attention to the Mistae of Drugs Law and enclosing a copy of the Basic Statement of Principles, principles designed to ensure that banks have propers systems and controls for knowing their customers. The Cayman Islands Bankers Association, with the encouragement of the Inspector, has issued its own Code of Conduct covering much the same around.

A new hanking act, The Bunks and Trust Companies Law, 1989, came into effect in Jime 1989. This law replaces the old law which dates back to 1966, and captures under one statute the various amendments and policy issues introduced since them.

INSURANCE

AFTER TEN YEARS of careful planning and maturing the Cayana. Islands Offshore Insurance Industry has come of age.

A decade ago the Islands passed its Insurance Law which had the framework for the development and growth of the offshore insurance industry. June 1990 marked a watershed in the industry with the celebration of the 10th Anniversary of the Law.

In looking back at the achievements of the last ten years, several highlights stand out. The Islands are now the second largest captive domicile in the world with 357 licensed captives which have in exceed of US\$2bu in assets. The principles and philosophy embodied in the Insurance I say have been adopted by other countries.

licensed captives which have in excess of US\$2bn in assets. The principles and philosophy embodied in the Insurance Law have been adopted by other countries seeking to develop captive insurance industries. This excellence was also recognised by the UK Government's 1989 Report on Offshore Financial Centres, which said, "In many ways Cayman legislation in_Insurance," represents "model" legislation which many outer offshore locations for financial services indeed followed.

A major contributing factor to the success story has been the Islands infrastructure; in particular the professional support services for captives. There are 27 Insurance Managers licensed under the Law which actively provide services for the captive industry. Other professional services aclade offices of the five major workivide accounting practices and a number of high quality legal firms. Backing up these professional services is an excellent communication system and a variety of first class libbel accommodation.

Complementing the insurance industry is the large offshore Banking ladustry offsring a variety of financial and investment services. There are no foreign exchange controls and no corporate or similar taxes. A further plus point is a stable political and social environment coupled with a strong economy.

The offshore Insurance Industry is supervised by the Department of Insurance which has both insurance and accounting expertise. A licence application can be processed in under four weeks.

The Cayman Islands has positioned itself to provide a high standard of services for international clients wishing to establish offshore captives.

The objective for the 1990's is to encourage the continuing growth of the industry by

athracting good quality captives.

For further information and a copy of "Cayman Islands Guide to Insurance" write to
Department of Insurance, Government Administration Building, Grand Cayman, BWL



The Cayman Islands **Bankers Association**

Brochures and information pertaining to our members can be obtained from the following address:

Cayman Islands Bankers Association P.O. Box 1321, Grand Cayman, Cayman Islands, British West Indies Tel: (809) 94-90330 Fax: (809) 94-90220

The Government of the Cayman Islands

Government Administration Building Grand Cayman, BWI

Telephone: (809) 94-97900 - Telex: CP 4260 CIGOVT

Representative in the United Kingdom: Mr. Thomas Russell, CMG, CBE, Trevor House, 100 Brompton Road, London SW3 1EX Telephone: 071-581 9418 Telex: 21427 CIGLON G

Increasingly popular port of call

BY THE end of December just "We can sustain this growth over 620,000 tourists will have visited the Cayman Islands during this year. That is 23 times the size of the resident population of the islands.

There is little indication that the islands are in danger of being overrun by tourists, although there is concern about the ability of the infrastructure and support services, including labour, to deal with ever increasing visitor arrivals.

Unlike its neighbouring rival resorts, the Cayman Islands do not offer casinos and night clubs. "We offer relaxation for people who want to get away from it all," says Mr Norman Bodden, the government mem-ber responsible for tourism,

aviation and trade. Tourism is important to the Cayman economy. Two thirds of the 614,000 visitors to the islands last year arrived on cruise ships, the others by air. They spent CI\$144m - a figure which helped offset a merchandise deficit of CI\$213.5m on a volume of CI\$217.7m. The administrators seem confident that the growth will continue,

in spite of a few likely domes tic and external problems. The rapid expansion of tourism has strained the infrastructure (see Property, on Page 3). Further expansion of tourism will increase demand for labour, most of which will

have to be imported.

Mr Bodden, however, believes that there is still room for growth. "Except for 1987, growth has been at around ten per cent per year," he explains.

THE FIRST statistic the Cay-

man Islands banking fraternity

for several years to come. Hotel occupancy averages 70 per cent, so there is room for expansion without undue

stress on the infrastructure.
"However, we do not want growth at a rate which will damage the quality of the ser-vice, because we do not want to lose our market share. If there is an increase of between seven per cent and ten per cent

annually, I will be happy."

The industry benefits also from the fact that the Cayman Islands do not have the chronic social problems of many of its neighbours and competitors.
"Visitors here are safe," says Mr Alan Ratcliffe, the commissioner of police.

But there are aspects of its tourist industry which the Cay-man Islands administration cannot control. Over 80 per cent of the tourists are from the US and the performance of the US economy is viewed with more than passing interest. Indications of a slowdown in the US economy in the last quarter of this year promise a cut in the volume of visitors.

"Slowdowns in the US economy do not affect Cayman Islands tourism very much," says Mr Thomas Jefferson, the financial secretary. "There is a slight lag, but what helps the Cayman Islands is that we are catering for the upper and middle income tourists, so a recession does not necessarily affect their travel plans."

Mr Bodden too says that the

type of tourist visiting the Cay-

tection from the vagaries of the US economy. "If the US sneezes, we catch a cold. We are worried about the US economy and all our plans are based on the state of the US

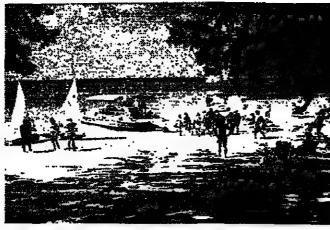
economy. However, he adds: "We have traditionally targeted the middle and top income bracket. Our marketing campaign is aimed at those in the US\$100,000 per year income bracket. We have not gone in substantially for the charter market, and charters now account for just over 17 per

In spite of this, there is apparently some concern about the type of tourist visiting the Cayman Islands. Visitors are sometimes subject to lengthy and intensive searches and interrogations at ports of entry. Mr Bodden says that this has not deterred prospective visitors, and that there

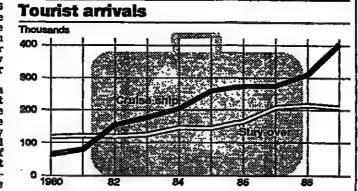
have been few complaints. While Cayman Islands tour-ism has made much of its proximity to the US market, hoteliers and government officials say the industry has also been helped by the Islands' status as a crown colony of the UK. It gives an assurance of safety and stability, they say.

In this fickle industry, the administrators of Cayman tourism are aware of the possibility of losing market share to resorts such as Jamaica. Barbados and Cancun, all of which Mr Bodden describes as the main competition". The rapid expansion in hotel

capacity in the Dominican



Over 620,000 tourists will have visited the Caymans this year



Republic and increasing attention to tourism in Cuba threaten potential alternatives for tourists seeking a Caribbean holiday.

The type and quality of service we offer should protect us from competition from places such as Cuba and the Domini-can Republic," says Mr Bod-den. "The opening up of Cuba and expansion in the Domini-can Republic will affect some countries, but we are Englishspeaking with a large market in the US, which is English-

speaking."
Nonetheless, the Islands'

administration is attenuating to broaden its market. Only five per cent of tourists come from Europe, but the volume in July of this year was 25 per cent higher than July 1989. The Cayman Islands are also being heavily promoted in Japan.

The government claims also that the tourist industry is supported by Cayman Airways, which it owns, and which operates a fleet of two Boeing 737s. A subsidy of CI\$Im this year to the airline, Mr Bodden says, must be seen against the role the airline plays in the tourist industry.

BANKING: Richard Donkin on the attractions

Made to feel welcome

likes to wheel out is that George Town is home to 540 international bunks. The first question a newcomer is likely business, and 503 had B-li-cences, which allow banking Most of the modern square

blocks in what would otherwise be a tiny fishing village are occupied by banks, lawyers and accountants, but only 70 banks have a physical presence with offices and staff. Bight of them carry out local business. Most of the others are plastic name tabs on a wall. Their business is handled by one of the banks licensed to hold local The second statistic is just

as impressive as the first. The balance sheet total of all the Cayman banks at the end of 1989 was \$350bn, making it one of the world's biggest bank booking centres. In terms total banks deposits in mid-1988 it was fifth in the world behind the UK, Japan, the US and France.

There is no disputing the importance of Cayman for international banking. Some 46 of the 50 largest banks, includ-ing the top 10 Japanese banks, have a presence there. In 1989 35 banks had A-licences, allowing them to undertake local

and trust business outside the Banks were drawn here because Cayman could provide one of the most stable environ-

ments in the Caribbean, with proximity to the US mainland and excellent communications. As one resident puts it: "We The first real surge reflected the fall-out of banks from the Bahamas when they were granted independence in 1973. The banks feared political instability and sought refuge in the welcoming arms of shrewd Cayman Islanders, par-

ticularly those of Jamaicanborn Mr V many banks choose to re mer financial secretary of the Executive Council. He con-stantly reminds islanders of the need to provide a comfortable environment for the Rosn-cial community.
"If we were to erect a statue

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ACCOUNTING & ADMINISTRATIVE SERVICES

TRUST SERVICES

of anyone to commemorate his contribution to the banking community here, it should be to Sir Lynden Pindling, the Bahamas prime minister," says Mr Johnson. Part of the appeal for individual bank clients are the Islands' zero tax status and the wall constructed defences against extra-territorial tax inquiries. These guarantee a high degree of protection for anyone avoiding or avading

don't even recognise the con-cept of income tax here. Tax is a four letter word, a bogey word. We don't like to use it and prefer to talk of revenue enhancement where we do impose hidden taxes." Excepting the tax advan-

tages, the prime reason that George Town, says Mrs Jenni-fer Dilbert, deputy inspector of banks and trusts, is to allow New York branches to raise funds in the Cayman Islands, thereby avoiding the need to meet reserve asset require-

The US Federal Reserve chooses to allow it to continue, but: "If they decided not to allow it, we would loose 300

banks. That is what makes the business so fickle. It is so dependent on outside factors," says Mrs Dilbert. An example was the desertion from Grand Cayman of most of the Danish banks when the Danes changed their exchange con-

While banking has Cayman's highest sectoral growth rate, it still trails well behind tourism in its direct contribution to the economy. Indirectly, however, the contribution is far greater. Banking employed 1,100 people in 1988, 551 of them Cayman-ians, the third largest employer behind the government and tourism.
It also lends the islands a

wealth of expertise and helps to draw in high net worth indi-viduals, who often discover the island for the first time when they come out of curiosity to collect their bearer shares or see their company name on a wall.

Conscious that bank and trust company confidentiality has been exploited by criminals in the past, the Cayman Islands Bankers' Association has introduced a code of con-duct for members. Mr Nicholas Duggan, the association president, and managing director of the Bank of Butterfield, says: The code says 'know your customer'. That is our Achilles heel, no question about it." The code also puts a US\$10,000 cash limit on the amount it will accept from a customer who is not in the business of handling cash.

The bank inspectorate, established 10 years ago can astablianed 10 years ago can afford these days to take a much tougher approach in supervising banks than it used to. While some US\$25bn is thought to have left Panama after the banking crisis under General Manual Noriega in 1988, only US\$2bn came in the 1988, only US\$2bn came to the Cayman Islands when two US banks moved their Panama funds there. "We did not take any Panama banks. We got applications but we didn't feel they were up to our stan-dards," says Mrs Dilbert. "A lot of banks come here because it has a clean image and because it is well supervised."

The days when private indi-viduals could easily establish personal banks in the Caymans also appear to be over. "It is not worth it to us," says Mrs Dilbert. The comment is underlined by Mr Chris Johnson, a partner at Coopers and Lybrand: "Cayman is looking at the quality end of the bank-ing sector today."

MIDLAND

BANK TRUST

CORPORATION

(CAYMAN)

LIMITED

POLITICS: change is coming, by Canute James

Consensus may give way to party system

ask for a review of the consti-

tution to see what changes, if

the government has not acted

properly. "We had a crisis in

should have resigned when it was clear it was in the minor-

ity position. We follow a West-

minster model in which the

Ebanks: "We have not had a political crisis, but there has

This is countered by Mr

Mr Bush says, however, that

nent. The government

any, should be made.

majority rules."

WHEN A commission from the Foreign and Commonwealth Office begins a review of the Cayman Islands' constitution in the new year, one funda-mental political issue will not be addressed.

"There will be no question of severing ties with the UK," says Mr Benson Ebanks, the government member responsible for education, recreation and culture. "Caymanians know that our stock in trade is in the Union Jack with the

Caymanian flag in the corner." Mr McKeeva Bush, a leader of the backbenchers in the leg-islative assembly whose revolt over various issues including the annual budget last year led to the constitutional review,

says there is no support for political independence. Caymanians agree that much of the islands' economic health and the growth of its financial services sector and tourism can be attributed to its status as a crown colony. "A fundamental change in rela-tions with Britain is highly unlikely," says Mr Alan Scott, the governor.

The Cayman Islands were made a dependency of Jamaica in 1863, but chose crown colony status in 1962 after Jamaica became independent Under a constitution impleresponsibility for administration was placed in the hands of

elected representatives.
Of the 12 elected represents tives in the legislative assembly, four are chosen to be on the executive council with three official members - the financial secretary, the attor-ney general and the administrative secretary.

The eight elected members of the legislative assembly - the backbenchers - have traditionally supported the gov-ernment on everything. But this consensus was shattered last year when the backbenchers behaved more like a parliamentary opposition.

They managed to get the traffic regulations amended to allow high speed motor cycles on the islands. They debated a change in the flest of the gov-erument-owned airline, and illibustered with some success when the budget was debated. The rebellion forced a change in the composition of the finance committee, which was made up of the 12 elected members with the financial secretary as chairman. Two official members were added.

To some Caymanians, these seemingly innocuous developchange in the island's politics It was, however, a different but related development which indicated that some constitu-

tional changes were needed.
"The backbenchers tried to get a change in the constitution to allow seven tramburs of the legislative council the power to remove the executive council," says Mr Norman Bodden, the government member, responsible for tourism, avia-tion and trade. "That would mean a simple majority, against the present system where a two thirds majority, or eight, is needed."

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on the part of the backbenchers. Suddenly they realised that they had political muscle and they decided to flex it."

Although they have high economic sophistication, the political culture of the Cayman Islands is parachial under-

islands is parochial, under-standably conservative and, after years of consensus poli-tics, it is based more on per-sonalities than on issues. Each elected member represents, on average, fewer than 1,000 voters. There are no political parties, but loose alliances

based on personalities, "There are no political divi-sions in terms of left and right," explains Mr Peter Tom-kins, managing director of the Cayman National Bank.

But the emergence of issues as the basis of parliamentary debate, and indications of political polarisation, have suggested the imminence of party politics. Mr Bodden's view is that political parties could exacer-bate political divisions, particularly in such a small place. "Eventually, maybe for the 1992 election, we will see the emergence of stronger alignments than before, with a slate of candidates."

Mr Bush, on the other hand, has concluded that the time is ripe. "Political parties are created by polarisation, and we now have the polarisation, but not the parties. I believe in the party system, and it works, If parties are being created, I will have to speak to my people with a view to creating one." Government members and backbenchers differ over the

changes they expect.
"I see only cosmetic changes, but nothing fundamental," says Mr Ebanks. "But even cosmetics will affect the fundamental workings of the govern-ment. Members will be called

ministers, and I see a chief minister and a cabinet." The backbenchers are hoping for an increase in the size of the executive council to spread responsibility for the management of Caymanian affairs. We would also like to see a bill of rights, and to have the office of speaker filled by-someone from outside the house," says Mr Bush. "But we will not agree to any constitubeen a lot of misunderstanding eral election after the commission has concluded its report." Caymanian politicians have

been pleasingly free of corrup-tion. Conflicts of interest are impossible to avoid completely," says Mr Tomkina.
"But... there is no need to cross any official's palm." Mr Bill Walker, senior partner of W S Walker and Company, one of the leading law firms in the Cayman Islands, says this has contributed to the healthy

economy.
It is highly unlikely, however, that Caymanian politics will return quickly to seamless assembly sessions which pre-ceded the backbenchers' revolt. What we see here happens in every parliament in the world. but in our case it appears more dramatic because we are a small society," explains Mr. Mario Ebanks, manager of the chamber of commerce. Young, aggressive, educated politicians are going against older; more established ones,"

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Y giv La Tempête

Minus the original poetry, Peter Brook's new Paris pro-Peter Brook's new Paris production (on tour at Glasgow's Tramway next week) shows how much else there is to intoxicate and delight. The outlines are bolder, the simple fable works its magic. Brook's theme is the Illusions of life; character by character, we see masks so.

Brook's cavernous Bouffes Brook's cavernous Bouffes du Nord theatre, with its hol-lowed out arches and peeling paint, has the feel of a classical ruin, a place of myth and leg-end. Here Prospero's kingdom is relocated culturally as well as linguistically: French effer-vescence combined with multi-cultural strangeness and splan-dour.

Turning the "colonial" read-ing of the play on its head, Brook casts the black African actor Sotigui Kouyaté as Pros-pero; the Indian actress Shan-tala Malhar-Shivalingappa as Miranda, and David Bennent as a small, white boyish Cali-

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brings the same concentrated destructiveness to his role as the outsider with the groundeye view of things here. Charled into a paper box (a resident of cardboard city?) like a wound-down toy, he springs into contorted life as a cross between a child and a dog: barking, licking, bitting, lapping up wine until it spills out of him, eyes rolling. No pathos here; only the manic fantasy of demolition.

By contrast the Malf actor Bakary Sangaré's fluttering staccato Ariel is a spirit whose human-ness thrills. All quivering desire, he enters bearing on his head a model ship with on his head a model ship with which he demonstrates how he whipped up the waves; he flaps his arms like wings, trips along on his toes, click-clicks his tongue and capers up the theatre wall. In Harue Momoyama's specially composed songs, his lenging for freedom breaks out in whoops and walls, then in coquettish persuation. This



Bakary Sangaré as Ariel

"La mer la change /en un objet" ban. Bennent played Oskar is an Ariel who bubbles over as riche et étrange". Shakespeare who wouldn't grow up in the he plays his games but intimedia film of *The Tin Drum*; he mates their seriousness by throwaway gestures and glances of ironic sympathy. With Ariel so pivotal a role,

there's a lightness of being about this production which is more reminiscent of dance than drams. On an empty sandpit stage, people become props. Green spirits with plants growing out of their flipflops create an ever-changing island: try to catch them and they're gone, like the tinsel butterflies on the branches held out to Ferdinand and then held out to Ferdinand and then maddeningly withdrawn. Another time, a boat is mimed into existence with a humboo rod. Peering above it, the face of Japanese courtier Gonzalo (Yoshi Oida, a beautifully moving performance) changes from politeness to surprise to alarm as the rod is raised out of his reach and he collapses crying for a dry death. for a dry death.

Using a host of unexpected tachniques — African and Japanese dances, Indian sitar music, mime and acrobatics and black actors like Kouyaté and Sangaré who are confiand Sangare who are coni-dantly at ease with the con-jurer part of their roles, Brook makes magic seem a natural part of the action of the play. Like his RSC Midsummer Night's Dream in 1970, this pro-duction works like a child's hor of enchantments. box of enchantments.

It's a small price to pay, but the loser in all this is Sotigui Konyate's Prospero, whose per-sonal battle with bitterness sonal partie with interness and forgiveness is swallowed up in his role as magician. Kouyaté has a lean, haunted face and an awesome stage presence but his inner calm comes from readgnation not from resolved tensions. Self-ef-facing his emotional energy facing, his emotional energy seems to go in leading others to a treedom of the mind.

This is done movingly when he reunites Alfonso and Ferdipand and with brilliant playfulness when Trinculo (Bruce Myers), adoming himself with velvet robes and gloves and hats, looks across the stage to see Ariel kitted out in the same see Ariel kitted dut in the same gear, over-acting the same kindy gestures: a white black mirror image to startle the buf-foon into self-knowledge. What we have here is Prospero the psychoanalyst rather than Prospero the dramatist in con-trol of his own part. When he trol of his own part. When he comes to throw off his art and

Jackie Wullschlager

CINEMA

Mobsters on a carousel of crime

along a street by an over-en-thusiastic dog who supposed that his lead was for leading you rather than vice versa? Then you will know what watching Martin Scoreses's GoodFellas is like. Exciting,

sese's GoodFellas is like. Exciting, frightening, incluctable; and as one would expect from the director of Taxi Driver and Raging Ball, very upsetting to the expectations.

We begin with a "dead" body making noises in a car boot and being savagely terminated with knife and gun. We follow the story of the three terminators through 2½ blazing hours of action: they are senior mobsters. Robert De Niro and Joe Pesci and youngster-narratur Ray Liotta. And we end in an accelerando of drugs, intrigue and in an accelerando of drugs, intrigue and violence, as if the carousel of crime will stop only if someone throws the spanner of the law into the whole machinery of Rast

law into the whole machinery of last Coast American society.

After the stormy welcome the world gave The Last Temptation Of Christ, Scorsese's housest attempt to humanise the gaspels, it is as if the director has said "No more Mr Nice Guy." Based on Nicholas Pileggi's best-selling Mafia exposé Wiseguy, the film thrusts us nose-first into the world of Cosa Nostra. Recentled into the mole after running. Recruited into the mob after running youthful enrands for a beefy Mr Big (Paul Sorvino), young Henry Hill (Liotta) becomes our Jewish-Italian hero-chronicler. He watches with awed fascination as an ethnic minority in little old Brooklyn acts like the Borgias of yore in little old Rome.

There is Mr Sorvino, a fat cat who tweamises the neighbourhood while

There is Mr Sorvino, a fat cat who tyramises the neighbourhood while barely moving from his dinner bowl. There is Robert De Niro, friendly, steelgrey and psychopathic. And most memorably there is Joe Peaci, killer and braggart, who behaves like a vat of nitro-givearine asking every passer-by to shake him. Pesci took second place to De Niro in Raging Bull but here he is a scene-stealing phenomenom. A squat, snarling Punchinello, he is not content with the average Mafia regimen of shooting and stabling known transgressors. He baits or insults almost anyone in sight. And he ceases to be a langhing matter when he shoots in the foot a matter when he shoots in the foot a young barman and later shoots him dead when the plaster-footed youngster dares to complain.

The scene is typical of GoodFellos. Scorsee drags us through the scalding plot, co-scripted by him and Pileggi, without pausing once to bathe our fore-heads in either easy comedy or facile moralising. He forces the filmgoer to implicate himself with the characters. Speed and excitement are great moral dispossessors. Just as we leave our stonachs behind on a rollercoaster, we keep leaving our consciences behind here. We are horribly enthralled by the ease with which a Maria offender is ease with which a Mana offender is beaten to death with fists and booted fact; or by the primeval sexism whereby the "family" keeps its women as decorative chattels, to be used and abused at will. (Only Lorraine Bracco as Liotta's wife rebels, a tearful turnado running mock in her ideal Home).

Most of all, we are caught up in the ease with which the business logistics of crime elbow out humane and ethical



and opts for confession and a witness protection achame, we follow him hour by hour, minute by minute, as he hun-tles from drug pick-up to drug drop-off, from tryst to shady tryst. His eyes blacken with exhaustion even as we watch and his blowed Rolemess saves watch, and his beloved Bolognese same simmers on the dinner stove as he dashes home for brief bulletins to the wife and friends on how to keep it

Has any movie better captured the famed banality of evil? When the human treadmill operates at full speed, a sancepan of spaghetti sauce seems on the same level of urgency as a murder or shipment of killer drugs. (The fellowship of crime and food is also causting all a selected when Southon Pares.)

lowship of crime and food is also caustically celebrated when Sorvino, Pesci and De Niro land a brief jail-term and do all their own cooking. "We owned the joint" crows Liotta's voice-over as sances bubble and pastas steam). In the great Hollywood Mafia symphony, GoodFellas is a scherzo to the large of The Godfather. Scorsese fills the movie with inspired moments of visual shorthand. Characters walk along a street, freeze-frame, then conalong a street, freeze-frame, then con-tinue walking. A single camera movetime walking. A single camera move-ment, swooping or soaring, makes more story-points than many a director would make in six shots. This is Hell on Earth as a perpeturum mobile. In the Dante-esque lineage of Mafia movies, GoodFulles is the inner circle of human sin, defying nature's laws by moving faster than the outer circles.

Next to Good Felics, with its passionate refusal to moralise, watching Andrzei Wajda's Korczak is like being handout fed by your parents and driven by the non-semic routs to Sunday School. As soon as I heard what the great Polish director's new film was about — he arm the film was about — he had been the seminated to the seminated by the seminated the seminated to the seminat ish paediatricism who succoured some 200 orphans of the Warsaw ghetto dur-ing the second world war, before he and they were despatched to the gas ovens

Heaven knows it is a worthy subject But we quake in alarm at the possibili-ties for piety, and we quake even more as those possibilities are realised. Filmed in penitential monochrome, Kor-czak trudges on through the radiant stations of martyrdom. First stop: Exposition ("Everyone says that war in Europe is inevitable..."). Second stop:

> GOODFELLAS Martin Scorsese

KORCZAK Andrzey Wajda

BETSY'S WEDDING Alan Alda

A SHOCK TO THE SYSTEM Jan Egleson

Entry of the Nazis plus comic-strip vocabulary ("Polish swine!"). Third stop: Scenes of the good doctor telling the Huns how to behave. ("There are human laws and divine laws"). Fourth stop: Fate crunching into view, with its rolling stock of cattle-trucks and close-ups of faces glistening with hope and

Historical tragedy, like any other genre, must surprise and excite. You cannot simply lay out events with the luminous solemnity of a lamern-slide lecture and expect audiences to respond. In Ashes And Diamonds or Danton or Man Of Marble, Weida treated history as a living thing: it of crime elbow out humane and ethical says it will be his last — I grouned thrashed about under his gaze like a perspectives. In Liotta's final day of inwardly. Dr Janusz Korczak, real name monster fighting against capture. In reckoning, before he bows to the law Herryk Goldszmit, was a pioneer Jew-

bound, tranquillised and semi-dead. Not even actor Wojtak Posniak (Wajda's one-time Robespierre) can inject a con-vincing twitch into the beast, although his craggy forehead and burning eyes do their best. This is art as embalm-

Both Betsy's Wedding and A Shock To The System are amiable Hollywood mis-fires. The first, written and directed by Alan Alda, saks "Wouldn't it be funny to gather together three socially incom-patible families under one New England

patible families under one New England wedding tent, for the marriage of a Jewish-Italian girl (Molly Ringwald) to a white Anglo-Saxon yuppie?

Yes, Mr Alda, it might be funny, You, as Miss Ringwald's father, certainly try to make it so. Your familiar persons of a duck trying to turn into a girafficulty always delights me. But why did you not provide better roles and lines for both yourself and your cast, which includes Madeline Kahn, Joe Pescl, Burt Young and Ally Sheedy? And what happened to the stiletto-sharp social satire of your first and best film, The satire of your first and best film, The

satire of your first and best film, The Four Seasons?

In A Shock To The System businessman Michael Caine fails to get job promotion and so electrocular his wife in the cellar. There are some intervening causal stages here, but they can be disregarded. So, broadly speaking, can the movie. As directed by one Jan Egleson, it resembles an episode of Columbo in which the small, squinting detective has unaccountably failed to turn up and the cardboard supporting characters the cardboard supporting characters find they must shoulder the whole plot. Elizabeth McGovern, Peter Riegert and Will Patton co-star; Andrew Klavan scripted; and Mr Caine proves it is possible to live and work in New England without over heine sched when were without ever being asked why you are

Trio Fontenay

They look barely old enough to have been a estited seemable for a decade, but the Fontenay team can look forward to a long international career. They are a plano trio; though the strings — violinist Michael Kücke and cellist Niklas Schmidt — boast plenty of character and intelligence, it is character and meangance, it is the piano who leads, as is often the way. Haydn's piano trios, after all, were never generous to the strings, and while later composers learned to treat the medium more even-handedly the piano itself developed more

Wolf Harden does not over-play his hand (though there were some steely sforzandi on Tuesday), and when accompanying he is a scruptious part-ner. In the Featenay's Wig-more programme, in fact, only the early Brahms Trio in B involved much "accompany-ing", since both Charles Ives and Dvorák, in his "Dunky"

Trio, wrote as for three distinct individuals. Ives particularly, in his Piano Trio of 1904-5: everybody is kept busy in the foreground, jostling for space as the fractured popular tunes come thicker and faster. Here come tricker and laster. Have and there the Fontenay delivery was a bit straight-faced for Ives's jokes, but as straight music they played it for all it is worth — which is a lot, this being his major contribution to

the chamber repertoire - and

made a stirring effect.
Such slight reservations as I had about their Dvorak and Brahms, excellent performances both, resulted from the searching intensity with which they address their music. Dvorák's sequence of dumky" gleamed with all the right contrasts, and his right contrasts, and his textural inventions were sparklingly realised. All one missed was some relief, some stretches of that relaxed, sunny breadth which is the

peculiar gift of Caech music. The best Caech trios regularly reveal it in this Trio; these young Germans don't unbutton essily. In Brahms the Fontenay

were deliberately searching, determined to find the sharpest profile for every idea. It was rewarding to hear — but for early Brahms (however much revised later) it was also excessively measured. Some of the characteristic élan was missing, though they brought off the Adagio exquisitely. In off the Adagio exquisitely. In the quicker music – their "Allegro con brio" was downright masstoso – there was nothing reckless, and the middle-Finale risked becoming staid. Which is only to say: these are musicians of high seriousness and skill, splendid to hear who can learn to be to hear, who can learn to be less unrelenting as they

Lyons Biennale de la Danse

flag, was on the posters all over town. Most of the leading American modern dance companies visited. Balanchine's choreography was represented by Miami City Ballet. Clement Crisp and I have already

reported on appearances by the Martha Graham, Merce Cunningham and Paul Taylor companies. I also took the opportunity to see two dissimilar compa-mesthose founded by choreographers Alvin Ailey and Lucinda Childs. The Alvin Ailey Company, one of the world's leading exponents of black dance, tackles a range of styles — jazz, modern, rock — and half the Lyons programme I canglit was in non-Ailey choreography. In Lar Lubovitch's North

The three-week Lyons Biennale de la Star, they are better — more full-toned, panse this year was called "An American Story." The young Martha Gruham, jumping and decked in the American Story, is a crass lump of rock turn, together or part or in two and verismo, encouraging them to play a range of modern stereotypes (the drugtaker, the pusher...). What of Alley's own choreography? His Hidden Rites (1973) I found wearingly heavy. When the movements weren't big (not often), the drawning weren't big (not often), the dynamics were. But in the 1962 Aliey solo to Duke Ellington's Reflections in D, the veteran dancer Dudley Williams produced the lyric fluency I'd been hoping for. And grace, dignity, humanity to hoof

threes. They maintain this, with remarkable precision, for several min-ntes at a fast speed. You appland their aheer drill — but the dance content? Childs movement is so erect that the dancers seem to move no muscle between neck and hip, and not many above the entile.

Childs was one of the first choreographers to work with composer Philip Glass, and some folk have always main-tained that she's the only one on his wavelength. Dance (1979), three sections of which were showed in Lyons, cerhumanity to boot.

Lucinda Childs is currently making a work on the Rambert, but her company hasn't been seen here since the 1970s.

At that time she was in the vanguard of post-modern minimalism, and the Lyons programme was of some late-Glass seemed trite and pop. Childs can match in dance the way Glass's music

phrases (between five and ten seconds long), or the way it recycles a few components in near-endless patterns, or its sudden addition of a new element of

The triumph of Dance is its projection of a Sol Lewitt film of its original cast on a front gauze. So you see today's dancers live through film of the 1979 dancers, who may be giant-size or close-up or life-size. This is always absorbing as mixed-media theatre. The Lyons audience adored it. But how little Lyons audience adored it. But how little those dancers move. They can turn and jump — but not bend or twist. And they re so up on their toes that it's a big deal when they bring their beels to the floor. And who are they? Childs's dancers are cogs in her machine, as like peas in her pod as she can make them.

Alastair Macaulay

ARTS GUIDE

EXMIRITIONS.

Boyal Academy of Aris. Monet in the 90s: The Series Paintings. The long-awaited blockbuster exhibition has opened in London sanding reviewers scamying to emplain the artist's double vision. Durington Bones, Parasity (287 879).

(287 9579). Hayward Gallery, Eduardo Chil-lida. Major retrospective of the Spanish sculptor (261 0027).

Carte musies et monuments sold in museums and metro stations enable visitors to apoid queues in museums and mero supons enable visitors to avoid queues at 60 missures and monuments, including the Louve, Musée d'Orsay and Versailes. Geherie Maurice Gennier. Bernard Buffet – La Bretagne. In his unmistalcable spiky handwriting, the painter beloved by the Japanese, pays homage to Britany's ports and beaches. 6, Ave Marignon (4226166). Closed Sun, Mon and hunchtimes. Marmotian's Monais. For lovers of impressionism, the Musée Marmotian is a must. A charming town house set in greenery, it houses an important collection of paintings and drawings by Claude Monet's love of London is recresented by the Houses of Parliament. In the last 20 years of sented by the Houses of Parliament. In the last 20 years of Monet's life, his garden in Giverny became his great inspiration. In glowing colours and changing light he painted its Japanese bridge and weeping willows and, above all, the Nymbass — wetertiles as a tri pheas – waterlifes on still water. Musée Mannotian, 2 rue

Louis-Boilly, closed Mon.

Minade des Arts Decuratifs. Pau-treanic wellpapers. If a wealthy French bourgeois of the 19th century fell the need for change in his comfortable but somewize in his comfortable but somewhat but in the a panoamic dear covering the walls of his salon would instantly transport him to an exotic scene. There was an endiess choice of subjects and locations — Peru with lush palm trees, crusaders liberating Jerusalem or the 1830 barricades in Paris. 107, Rue de Rivoli (4268214), closed Mon, Tue. Louvre. Euphronics. Some 60 objects, cruhers, surphoras and

(agestia), coser ason, 10e.
Lowre. Emphronics. Some 60
objects, craters, amphoras and
howis testify to the art of
Emphronics, painter and potter
in the 6th century BC in Athens,
in mastering the technique of
red figures on black beckground.
Emphronics and his friends of
the Pioneers Group bring invention and originality to their representations of mythological subjects and scenes from everyday
life. Open all days from 12 am
to 10 pm, except Tuesdays. Ends
Dec 31 (40305166).

Particularly Hotel Sale, provides
a fitting home for the world's
largest collection of Picaseo's
work, if comprises 303 paintings,
158 scalptures and more than 158 sculptures and more than 3,000 drawings and engravings, 16 collages and 88 pieces of caramics, it is completed by Picasso's own collection of paint-ings by his friends, such as Sca-

que and Matisse, or by artists he admired, Renoir, Cézanna and Douanier Rousseau. (42712421). Musée Rodin. Delightful 18th century town house - Hotel canney pown nouse-ribust Biron - contains the life work of Anguste Rodin, who opened the way for modern sculpture. In the gardens his Thinker broods, the Burghers of Calais Union to their tracic destiny and Balanc defies time. Closed Top.

Fondation Pierre Gienadia.
Modigliani. Some 50 cils, as many drawings and some sculptures form an important retrospective of the Hallan-born artist living at the beginning of the cantury in the feverish atmosphere of Montparnasse and Montmartre. In contrast, the rather stylised two-dimensional portraits of his friends and of Jerme Hebuterne, his last and tragic companion, embody perfect repose. (26 22678). fect repose. (26 223978).

Musée d'Insiles. L'Impression-isme et le Fauvisme en Belgique is a major exhibition of Belgion painting from the 1800s to the 1820s. While several artists fol-lowed the lead of French impres-sionists and German expression-ists, others such as Claus, Stobberts. Wouters have a dis-Stobbaerts, Wouters have a dis-tinct and increasingly valued style of their own. The finest ahow seen in Brussels for some time. Closed Mondays ends

tobre. Inca-Peru an exhibition that traces the evolution and decline of the Inca culture through 450 artefacts. Closed Monday, ends December 31. Palais des Beann-Arts. Five mil-lion years: the human adventure. Man's evolution shown through 200 archaeological artefacts and other exhibits. Daily, ends December 30.

Musics Royanz d'Art et d'His-

Pundacion Juan March. Cars, Andy Warhol's unfinished series Andy warnor's tumbused series of car drawings and paintings, commissioned by Daimler-Benz on the centenary of the invention of the automobile, are now on view at the foundation on loan from Daimler-Benz in Stuttgart. Ends January.

Minese Picasse. Homage to Jacqueline — between 1954 and 1970 Jacqueline Roque was a consent acure of inspiration for Pablo Picasso, they married in 1958. The exhibition brings together some 150 works including posterity resident analysis analysis. traits, paintings, sculptures, prints and pottery, in an impor-tant retrospective of the last 20 years of Picasso's artistic life and a houses to his favourita model, Ends Jamery.

Palazzo Degli Esposizioni: Nor-man Rockwell. Oils, watercolours and sketches from the years 1915 to 1972 by a remankable artist, who for over 40 years designed the front cover for the high-circu-tetien. Entrology Progring Dese lation Saturday Evening Post (over 3m copies in the early 1950s), whose name has become synonymous with an ultra-realis-tic style mixed with nostalgia.

Palazzo Grassi. From Van Gogh to Picasso - from Kandinsky to Pollock. Opening with Picasso's 1931 Woman with Yellow Hair and closing with Fernand Leger's 1950 Bulklers with Rope, this exhibition provides a truly delightful canter through mod-em art from the late 1870s onwards. Included in the group of paintings lent by the Guggen-heim in New York are 22 works from the remarkable Thermising ser collection, none of which have been back to Europe since

Kinstinguages, Shreinor & Con-rad Fellxmoeller. Around 80 paintings, 80 watercolours, draw-ings, 40 prints as well as five plastics by the expressionist painter. Until October 38.

Sprengel Minseum. Kaethe Koll-witz (1867-1945). Eleven plastics, 70 paintings 70 prints of the polit-ically radical artist are to be seen until October 28.

Martin Ground Ban, Street mannetnesse 110. Rismarck's Prussia, Germany and Europe. This exhibition in Berlin will he the first organised by the German History Museum, with around 1,000 pieces on loan from 250 different museums from all over Europe and the US. Until

New York Brooklyn Museum. From pasto-ral landscapes to moonstruck mature fantacies, this compre-hensive exhibit makes the claim for Albert Finkham Ryder as the first modern American painter, Ends Jan 6.

Metropolitan Museum. Marican art from pre-Columbian handi-crafts to modern murals includes a sujestic panorama with more than 300 works covering 30 can-

October 19-25

Washington

National Gallery, Artistic divi-dends of the end of the cold war continue with a comprehensive show of Suprematist Kashnir Malevich and his Soviet contem-

Art Institute. One of Chicago's most noted conteporary artists returns home when Ed Paschka's travelling exhibit, which first appeared at the Pompidou Centre with 50 of the last year, arrives with 47 of the painter's ery gio portraits col-landscapes.

Tokyo

Hara Museum, Hara Annual 10.

Since its establishment 10 years ago, this museum has held an annual show of young and emerging Japanese artists — a good opportunity to observe new developments and directions. in Japanese art. Opens September 26. National Masseum, Masterpieces

of Japanese Art. This selection of 250 major works has been drawn together to mark the accession of the new emperor. It includes rarely seen pieces from the Shosoin Treasurehouse in Nara, the Horyuji Temple, the Imperial Household collec-tion and alsowhere. Closed Mon**SALEROOM**

Scandinavian disaster, but jewels do well

how deep the recession in the art market might turn out to be this season. Its first major auction of Scandinavian art to be held there was a disaster, with 86 per cent unsold.

There had been hopes of a

record price of up to \$5m for a painting of a stormy sea by Strindberg but in the event the total for the whole sale was just \$1.5m (2777,000). The absence of the trade, and of the hammered speculators in this sector, killed off bidding. Fortunately there is still a market for well rounded mades by Anders Zorn and a 1918 example went on target for

The general sale of 19th cen-tury European art fared almost as badly, with 56 per cent unsold. Here again dealers, sit-ting on unsold stock, were not bidding. Indeed many were trying to off-load stale goods. Orientalist works were one of the few bright areas and a portrait of a Bashi-Bazouk by Gerome did well at £203,442. A Bouguereau nude was at top estimate, making £152,581.

In dramatic contrast Christie's sale of jewels in New York on the same day was its best ever in the US, totalling \$31m (fi6m), with only 8 per cent unsold. Presumably the very

Sotheby's had a nasty hint in rich see jewels as a good hedge New York on Tuesday of just in hard times. The top price was the record \$5.5m (£2.82m) paid by a private European buyer for a rare blue diamond, a stone of 19.41 carats set in a

ring. Christie's also did quite well in London yesterday, silver bringing in £974,050, with 19 per cent unsold, and travel and natural history books, £570,119 with 12 per cent bought in. A pair of George II three light candelabra made in 1744 by John Le Sage and engraved with the Royal arms (which suggests that they were either a gift from the King or Ambassadorial plate) was bought by the London dealers Koopman and S.J. Phillips for £198,000, slightly below estimate. A set of four George III two handled soup tureens and covers by Paul Storr beat its forecast at

Among the books a contemporary coloured copy of Debrett's "Voyage pittoresque et historique an Brasil", with 153 plates, published in the 1830s, almost doubled its forecast at £60,500. A rare coloured copy of Lawson's "Scotland delineated", with 90 plates by Turner and David Roberts among others, sold for £52,800.

Antony Thorncroft

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Thursday October 25 1990

Power failure in high-tech

THE European Community needs to take a hard look at its policies for electronics and information technology. The policies have not only failed in their principal aim of creating a stronger and more competia stronger and more competitive European producer industry. They now risk retarding adjustment and distorting priorities in a sector of vital economic importance.

nomic importance.

Since the early 1980s, European governments have responded to rising concerns about "technology lag" by launching large-scale collaboration programmes involving European companies and universities. These programmes, most of which receive generous EC or national subsidies, have three main objectives: fosterthree main objectives: foster-ing cross-border links between European national champion companies, speeding up prod-uct innovation and safeguard-ing independent European capacity in core technologies

such as microelectronics.

Only the first of these goals has been achieved. EC programmes such as Esprit have encouraged exchanges of technical information between European electronics compa-nies and facilitated co-operation on standards. However, there are serious doubts, even among the companies involved, about how much of value they have contributed to innovation. For many companies, the attraction of such schemes appears to have much to do with the cheap finance and privileged access to policy-making which they offer.

Self-appointed club

More worryingly, EC-spon-sored collaboration has acquired some unhealthy char-acteristics of sectoral intervention schemes pursued unsuc-cessfully by European governments in the past. It is run largely for - and by - a self-appointed club of larger producers in close liaison with producers in close listson with European Commission offi-cials. The interests of consum-ers of electronics products, who account for a far higher proportion of the EC's eco-nomic output, have been con-sistently disregarded.

in the name of safeguarding a "strategic" industry, the Commission has repeatedly granted trade protection for ectronic products from chips

resulting higher prices and reduced competition have not been matched by an improvement in the performance of European manufacturers. The EC's electronics trade deficit EC's electronics trade deficit has widened, much of the industry is barely profitable or in loss and Philips of the Netherlands, an inveterata petitioner for trade protection, is in a financial crisis.

Dwindling share

Propping up uncompetitive European-owned producers is as pointless in electronics as in as pointless in electronics as in mature sectors such as steel or shipbuilding. All the more so as those producers account for a dwindling share of European output, because of the rapid expansion of US- and Japanese-owned manufacturing capacity in the EC. The goal of European technological independence is rendered still less realistic by European companies' istic by European companies' growing reliance on links with overseas competitors and by the takeover of ICL, Britain's

Ine takeover of iCL, Striain's largest computer maker, by Fuitsu of Japan.

EC policies based on prescribing more of the same are not the answer. A new approach is needed, which recognises that the most effective stimulus to innevation tive stimulus to innovation and industrial performance is a vigorous and sophisticated European market. The main amphasis should be on removemphasis should be on removing obstacles to international competition, particularly in telecommunications, and on vigilant enforcement of competition policy.

tition policy.

The Community may also be able to help by supporting basic research and encouragbasic research and encouraging the application of electronics across user industries. However, the purpose of such initiatives should be to improve the overall educational and scientific infrastructural and scientific infrastructural. ture and the quality of demand, not to fabricate cap-tive orders for selected Europe-

anowned suppliers.

Meanwhile the European
Parliament, which is debating
the next phase of Esprit, could
perform a valuable public service by conducting a searching
and the what EC melicies have andit of what EC policies have achieved to date and consider-ing whether the substantial resources they consume might be put to more productive uses.

study by the European Commission of the effects of European Economic and Monetary Union, concluding that the benefits exceed the costs, will be greeted with suspicion.* Did anyone expect another conclusion? But

For there would be no harm in economists admitting that the main motivation for Emu is as a step towards European political unity, and concentrating on devising institutions which will minimise costs and maxim-

The two obvious economic gains from ending currency fluctuations are the elimination of transactions and uncertainty costs. A third benefit for inflation-prone countries would arise if the monetary union were run with a commitment to price stability approaching that of the Bundesbank.

approaching that of the Bundesbank.

The Commission manages to expand these benefits into a "check list" of 16. But quantification is only possible for two or three of them. The elimination of transactions costs would save % per cent of GDP. Emu would also eliminate exchange rate variability, which averaged 0.7 per cent a month even for countries in the Exchange Rate Mechanism, and 1.9 per cent for countries outside it. Exchange rate uncertainty prevents many businesses from freating

many businesses from treating Europe as a series of overlapping mar-Europe as a series of overlapping markets as they do the US, and encourages the practice of local "sourcing". The Commission estimates that a reduction of as little as % per cent in the exchange rate risk premium (contained in the minimum required rate of return on business investment) would eventually raise the level (not the growth rate) of Community GDP by 5 per cent.

The authors are admirably frank

The authors are admirably frank about the intangible and unquantifia-ble nature of many of the other benefits. These may arise from the interac-tion of the 1992 Single Market programme with the abolition of exchange rate risks. Or they may arise from the intangible benefit of price stability.

The crucial assumption is that the planned European Central Bank will have the same credible commitment.

have the same credible commitment to price stability as the Bundesbank, which is now the anchor of the Euro-pean Monetary System. If it did, the transitional costs of achieving price stability would be reduced, as employ-ers and unions would know that there was no way of inflating or devaluing

STAGES OF EMU 1982 EMS Ensu

Convertibility Free capital irrevocable parities or single currency All states belong Single market Competition policy

Policy co-ordination The Bank will certainly not have this credibility if Neil Kinnock has his

way and it is committed to regional policies and so-called "growth", while being completely subordinate to govpering completely statistical and con-ernments. Fortunately, the Labour party's version of Emu is not on offer, as Germany would refuse to join it. The main cost of Emu is the aban-The main cost of infinite the analdonment of independent national
monetary and exchange rate policies.
The Commission report follows some
scademic writing by saying that this
cost arises from shocks, which are not
of monetary ordain and which are not of monetary origin and which are spe-cific to individual states. An example would be an oil discovery. The

ECONOMIC VIEWPOINT

Why ERM needs monetary union

By Samuel Brittan



authors try to argue that most such shocks are in practice man-made and would diminish in the setting of full Economic and Monetary Union. It does not just write off monetary autonomy, as I might, as the freedom to deless one's currency.

Indeed the main criticism of the report is not that it is partisan, but that its authors seem more atraid of the international sconomics industry than of Jacques Delors. Instead of just putting forward the best case for kmu, they try to mention every possible type of economic theory and every econometric investigation, remotely relevant. They are consequently nconclusive on some of the main asues, such as whether the balance of payments will continue to matter how far fiscal policy will be useful. The result is frankly indigestible and will be read by almost no one from

will be read by almost no one from cover to cover — even though many of us will be extremely grateful for it as a wide-ranging work of reference.

One problem the authors faced was: with what to compare Emu? They settled for "1992 plus EMS", which is also known as Stage One of the Delors Plan. But many Stage One goals have still to be achieved, including credible UK membership at the normal 2% percent margin. Thus it is often hard to say whether a particular benefit — or cost — should be attributed to the that stage or to Emu itself. that stage or to Emu itself.

two on the economics of Emu. This suggests to me that the difference between "1992 plus EMS" and a single between "1992 plus EMS" and a single currency is a matter of degree. Take the transaction savings from a single currency. It would surely be possible to simplify bank transfers without a single currency, especially if exchange rates were permanently fixed. There is no reason why one banker's card should, for instance, not be usable throughout the Community

or why Eurocheques should not be assimilated to the domestic variety (I say with feeling). On the other hand there are plenty of inconveniences in the US, which has one currency but a

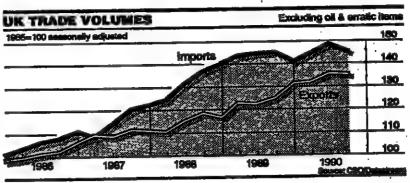
fragmented banking system.

A voluntary commitment to anchor one's currency to the Mark, such as Austria's and now Norway's, is useful. A commitment to a full or hard

ERM, in which realignments are small and infrequent, is even more so. But without the Emu goal the credibility of the full ERM commitment

will die weaken.

I make no secret that I was initially more attracted to the ERM than to Emu. The logic of the ERM, as the Commission report explains, is that overall monetary policy is determined.



Teenager's guide to trade

THE trade gap is no longer the flavour of the month. The erratic shrinkage in September to "the low-est level in three years" should, how-ever, be forgotten. There will be equally erratic deteriorations in fature months. More important is the underlying shrinkage. Import vol-umes have clearly stopped growing. Export volume increased by 9 per cent in the first three-quarters of 1990, compared with the same period a year ago. They fell slightly in the third quarter, but it is far too early to attribute this to the effects of a strong pound. Newly revised IMF labour costs suggest that UK competi-tiveness is much the same as in 1985 and some 20 to 38 per cent better than at the peak of sterling's rise in 1960-81. The falling dollar is the hig-gest currency problem.

The very large rise in the current "excess" domestic demand. The recent fall reflects recession. What will happen if and when domestic will happen if and when domestic demand growth recovers to a normal but not excessive rate? The gloom merchants overlook the continuing recovery in the UK share of world trads in 1989-90. The most likely-trend is for a continuing deficit, falling as a proportion of GDP, which can be readily financed so long as confidence in steeling is maintained.

by one member - Germany - and other members devote their monetary policy to maintaining the exchange rate peg. The KRM's successes have been achieved with a minimum of bureaucracy and institution building. Unlike the full Delors Plan, the ERM is more difficult to bireck for retraction. is more difficult to hijack for purposes such as fiscal harmonisation or Com-munity regional policy.**

munity regional policy."

Unfortunately we cannot remain at the ERM stage. Other countries will not indefinitely agree to follow the German lead. This is where those who say that ERM membership is just a European version of the old Bretton Woods system of fixed but adjustable exchange rates have got it wrong. A Bretton Woods system would either harden into permanently fixed rates like the gold standard or break down into "dirty floating" as Bretton Woods did, when the dollar lost its credibility. A new Bretton Woods requires ity. A new Bretton Woods requires some institutions or commitments which would make parity changes dif-

ficult if not impossible.

The scepticism with which British
ERM membership has so far been received in the financial community tells us a lot. There will aways be the tells us a lot. There will aways be the possibility that some government will resort to downward realignment as an easy option. Looking at the unfounded moans about "too high" a rate of entry for the pound, I would understand any holder of sterling who adopted a "show me" approach. Indeed in some of his attacks on the Delors goal of a single currency, even John Major has emphasised the need for different interest rates and the actual coexistence of different infla-

John Major has emphasised the need for different interest rates and the actual coexistence of different inflation rates, in a way which if taken seriously would weaken the British commitment to the full ERM.

France has achieved greater ERM credibility by the hard route of first minimising and then eliminating franc realignments. But credibility is reinforced by French champlonship of Emu, which at a minimum requires irrevocably fixed exchange rates. A single currency is one further stage.

As the Commission says: "Commitment can never be absolute since monetary union is the result of a treaty which can always be renounced" (as Ireland did in 1979). What a common currency can do compared with "permanently fixed rates" — is to boost credibility by increasing the exit costs from the system.

The Delois Committee treated irra-vocably fixed exchange rates and a single currency as equivalent; and it is only subsequently that enthusiasts have put all the emphasis on the lat-ter. If a two-speed Europe is to be averted, why not respect British par-

Why not make permanently fixed exchange rates and

central bank independence the proximate goal?

liamentary susceptibilities by making liamentary susceptibilities by making permanently fixed exchange rates, together with the independence of central banks, as the goal for the end of Stage Two?

As different currencies became interchangeable, and the policies of central banks spill over into each others territories the pead would be

cantral manks spin over into salar other's territories, the need would be obvious for some democratic mechanism, to which the EC Committee of Central Banks would jointly account. Thus we would have a Eurofed; and in due course people could hand over in the course people count man course their local currency for Ecu equiva-lents, perhaps retaining the familiar denominations on one side, * One Market, One Economy, Euro-

pean Economy No 44.

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S Brittan and M Artis, Social Market
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London NWI SEP.

The tide of **UK** spending

WITH £250m for child benefit here, £500m for education there, pretty soon you are talking real money, perhaps £10bn of it in extra departmen-tal spending. None the less, the short term picture is not too serious, despite the concessions that the Chancellor will soon reveal in his Autumn soon reveal in his Autumn Statement. What is decidedly gloomy is the medium term prospect. The golden combina-tion of increases in real public expenditure with tax cuts and a declining share of public expenditure in gross national domestic product has vanished, not just for a year, but for many years ahead.

The expected increase in public spending next year is largely the result of inflation, most notably the uprating of benefits by the rise in retail prices in the year to September. Inflation lies behind increased claims for health and education as well. It does not lie behind the roughly £3bn cost of sweetening the poil tax pill, however, but this was also caused by the government's mistakes. There will be little political gain from all this increased spending, therefore. It is more a matter of limiting

the damage.

The chancellor warned of the gloomler prospect in his Mansion House speech last week. "An economic slowdown inevitably brings renewed pressures on public expenditure, which may no longer fall as a propor-tion of GDP," he remarked. The large cyclical budget surpluses would diminish, though the medium-term objective of a balanced budget would not be

Short term deterioration

Yet the damage to the gov-ernment's cherished targets for public spending as a share of GDP should not be exagger-ated. The target for 1991-92 in last year's Autumn Statement was 38% per cent (excluding privatisation receipts). There is a good chance of its staying below 40 per cent, and so below the level of only three years ago, largely because inflation is increasing money GDP along with public spending.

What is now in prospect is a short term deterioration in both the government's fiscal position and its control over public spending. This trend is

strongly suggested by experience in the present financial year. The public sector borrow-ing requirement, excluding privatisation receipts, was £7bn in the first half of the financial year, up from 22.5bn in the same period of 1989-90. If this deterioration is carried for-ward, the planned public sector debt repayment of £7bn may well turn into a small borrow-

Increasing outlays

More significant, it might appear, is the fact that central government outlays in the first six months of 1990-91 were running 22 per cent above the level in the corresponding period of 1989-90. The Treasury asserts, however, that this increase in outlays is only 13 per cent, allowing for special factors. This is well above the rate of inflation, either head-line or underlying, but it is at least below the first six months' increase in receipts.

The present and immediately

prospective fiscal deteriora-tion, while real, is not that serious, particularly because of the excellent starting position. None the less, it probably means that in the next budget tax cuts would have to be paid for by increased borrowing, something with which Mr Major – not to mention the foreign exchange markets – is

A small cyclical deterioration is one thing, a trend deterioration is quite another. Yet the prospect for the UK is several years of low growth, along with low profits. Meanwhile, pressures are building up for a catch up in public sector pay and for increased spending on public services. In this environment significantly higher real spending would mean either tax increases or progressively larger budget deficits, the latter being almost certainly inconsistent with maintenance of the parity within the ERM.

When an economy is good it is very, very good, but when it is had it is dreadful. The government may be able to cope with the deterioration in the public sector position this year and the next. Its successor quite particularly a Labour successor — is likely to find-year after year of austerity quite another matter.

Worms in the garden

■ The top executives of Compagnie Financière de Suez used to be known as the Four Musketeers. Now, after the illness and death last week of Renaud de la Genière, the description will have to be

Gérard Worms, who replaces de la Genière as chairman of of banking, insurance and industrial companies which industrial companies which make up Suez, clearly does not see himself as d'Artagnan. He toys with describing himself as a lighthouse keeper who does not actually make things run but watches vigilantly over the machinery but he finally settles for being a cardener.

"You have to pull out the weeds, clear around the plants which need more space, and transplant them to your neighbour's garden if they will do better there," he said yesterday in his first public appearance. Worms, aged 54, has usually been judged to be more bookish and scientific than horticultural. He no longer teaches economics at the exclusive Ecole Polytechnique engineer-ing school. But he chairs, with enthusiasm, the French associ-ation for technical research

He may not be able to sheath his musketeer's sword, however. Several of his major shareholders have demonstrated during the succession battle of the last few weeks that they are more concerned about their particular associations with one or other Suez subsidiary than in the interest of the group as a whole.
Worms will have to fight

off the demands of Carlo de Benedetti, who thinks of little else but selling his remaining stake in Société Générale de Belgique; of Philippe Jaffré, of the Crédit Agricole, who has his eyes on one of Suez's banking subsidiaries; and above all of Jean Peyrelevade, of Union des Assurances de Parls, who wants to make

OBSERVER

something more of the FFr14hn he has invested in Victoire, Suez's insurance offshoot. If diplomatic refusals are not possible Suez may have to fight for its independence

Job for Jeeves

■ If you keep hearing voices do not call your psychiatrist, try an electrician instead. It could be that your problems can be solved by a Butler. This is a small machine, about the size of a hig book, which is about to be brought in from the US and launched upon an

unsuspecting British market by Master Command. Your Butler will be able to control all electric and electronic devices in your house or office by recognising your voice, and other authorised voices. It can be used by up to four people, whose voices it will recognise individually. All that for a trifling \$2,000

starting price.
"So smart is Butler", they
tell me, "that if you ask it to
get your mother on the phone
it will get your mother - not
your wife's mother".
Nonetheless, when I called
the the prompters ten mile.

it took the promoters ten min-utes to connect me to someone who could talk about it. Doubtless they had given their Butler the day off.

In good voice Winston Churchill, an old boy of Harrow school, felt the

boys' Songs were among the greatest treasures of the school, being passed down from one generation to another. Since he visited Harrow as

prime minister in 1940 to hear them sung they have become known as the Churchill Songs. Next month (on November 22) the largest gathering of Harrovians and relatives and friends ever assembled is



expected at the Albert Hall, London, for the 50th anniver-Roger Boissier, deputy chairman of the school governors and the man in charge of the event, is estimating this year's audience at more than 4,300,

enough almost to fill the hall. Boissier has double reason to be cheerful this week. He is chairman of Pressac Holdings which has announced a 19 per cent increase in pre-tax

Loose bricks

■ A learned, and apparently serious, symposium of German psychologists and psychothera-pists has come to the disturb-ing conclusion that most Germans have suffered some mental anguish during the long division of their country.

And the dismantling of the wall is making matters worse

by shaking loose many well-cemented ideas. Professor Eva Jaeggi, from the Technical University of Berlin, and others, claim that the wall functioned as a sort of psychic screen for Germans on both sides to project their

feer and anger. The absence of the wall is thus playing havoc with the collective psyche. It is also unleashing waves of resentment from the eastern side of divided families who supposedly felt "con-trolled" by their western rela-Hans-Joachim Maaz, an east German psychotherapist from Halle, claims that Stalinism produced a collective mental disturbance, and that all citi-zens of the former East Ger-

many need a long time to But, not to be outdone. Thomas Krauss, of the Insti-tute for Social Medicine at West Berlin's Free University, has referred to scientific research which allegedly proves that half of all west Germans have problems of

"The wall", he concludes, "was a great help for many psychological mechanisms. psychological mechanisms.

That is why current identity

Baghdad school m Saddam Bussein's European "guests" are acting true to their different national types.

The Italians left in Iraq are keeping their spirits up by cooking each other their favourite pasta dishes. The British are playing Patience and dreaming of home around hotel swimming pools.

But, according to Sweden's Ministry of Foreign Affairs, the earnest Swedes seem to be making a virtue of their position as hostages. They have organised themselves into study circles and are busy learning the Arabic language and how to appreciate Arabic

Martial music ■ The Japanese have now promised 40,000 Sony Walk-

mans for the Gulf forces. Should the trumpet sound the charge will it ever be



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A quiet but revealing change is taking place among the discreet networks of highly-educated civil servants and businessmen who run the French economy. A largely male elite, domi-nated by Parisians with a back-

ground in public administra-tion, is becoming more open and attuned to entrepreneurial virtues, as the state loses some of its considerable grip on the business world. It provides a rare insight into how the estab-lishment is yielding to the influence of free market think-ing and the internationalisa-tion of business. The effect has been to make the French busi-ness sector more flexible, at the expense of some traditional social and intellectual values.

"There was a time when senior civil servants could guarantee they would take the place of honour at the right of the hostess at dinner. Now they will have to compete against someone like Mr Bernard Tapie," jokes Mr Michel de Rosen, a typical example of the new generation of the French elite.

Mr de Rosen began a bril-liant public service career in the fast stream at the Trea-sury, moving on to become a diplomat in Washington, before becoming chief adviser to a former French industry minister. He then hopped back into business and is now running the FFri6bn turnover fibres divi-sion of Rhône-Poulenc, the state-owned chemicals giant, at

the age of only 39.

The difference is that he started all this by first going to business school to train as a manager, a move seen only recently as an eccentric move for an aspiring star. "Some members of my family thought I was sick," he says.

It used to be that the cream of France's intelligentsia fol-lowed careers in the civil service, capped by a top job in state-owned industry in their 40s or 50s. But now they are more likely to depart in fheir 30s or even straight after grad-uation at one of the prestigious public administration colleges through which every self-re-specting high fiver must pass.

Moreover, they are just as likely to go to the private sec-tor as into state industry. Busi-ness schools all over France are reporting a huge increase in attendances. Groups as diverse as Bouygues in con-struction, Rossignol in skis and Peat Marwick in accountancy now boast young civil service stars in their senior ranks. "I am pretty certain that out

er joy stall

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Quiet revolt in the corridors of power

The civil service is losing out as more of France's elite turn to industry, writes William Dawkins



The new elite: Alain Gomez, Bernard Arnault and Roger Fauroux

only a question of salary, for they have always been able to get more in the private sector, it is that nowadays there is more prestige working for a company. It is a reflection of GRY growing accompanie blerel. our growing economic liberal-ism ... business is chic." The traditional networks are

based on contacts built at one of the better known of the more than 300 grandes écoles, state-sponsored colleges which prepare university graduates for professional-life, usually in the civil service. Ecole Nationale d'Administration (Ena), one of the most respected of them of the most respected of them - including among its 4,000 or so alumni three prime ministers and most of France's brightest industry chiefs - is uneasy at the number of its alumni who leave for private sector jobs early in their civil service careers. "A young per-son doesn't feel he is betraying the public interest by going into the private sector. He might have done a few years ago," mourns Mr René Lenoir, director of Ena.

Founded after the Second Founded after the Second World War to groom bright youngsters to rebuild a shattered public administration. Ena takes less than 100 graduates per year, for which it usually receives at least 10 times as many applications.

Enarques — Ena graduates — must promise to work in the civil service for at least 10

of all my private staff, only one will be left in public administration in five years," says Mr Roger Fauroux, industry minister and another classic product increasing number do, they are fined. Few pay the penalty and says many provided in the stablishment. "It's not fined. Few pay the penalty and says many provided in the same of the stablishment."

**Report or X-Mines - jargon essential to understanding the flight path of a French business star.

**Ensures - Ena graduates - jargon essential to understanding the flight path of a French business star.

**Ensures - Ena graduates - jargon essential to understanding the flight path of a French business - jargon essential to understanding the flight path of a French business - jargon essential to understanding the flight path of a French business - jargon essential to understanding the flight path of a French business - jargon essential to understanding the flight path of a French business - jargon essential to understanding the flight path of a French business - jargon essential to understanding the flight path of a French business - jargon essential to understanding the flight path of a French business - jargon essential to understanding the flight path of a French business - jargon essential to understanding the flight path of a French business - jargon essential to understanding the flight path of a French business - jargon essential to understanding the flight path of a French business - jargon essential to understanding the flight path of a French business - jargon essential to understanding the flight path of a French business - jargon essential to understanding the flight path of a French business - jargon essential to understanding the flight path of a French business - jargon essential to understanding the flight path of a French business - jargon essential to understanding the flight path of a French business - jargon essential to understanding the flight path of a French business - jargon essential to understanding the flight path of a French business

Their effect is uncertain and the impact on different catego-ries of demand is undestrable.

The government is now try-ing to talk the wage round down, using the threat of unemployment. Of all the vari-

ous forms of incomes policy.
tried in the past, this is the one which has proved to be the
most ineffective.

It is time for the govern-ment's economic advisers to

at 5 per cent or 6 per cent by the end of 1991, and accept increases of that order, when

about £150 or less.

general secretary, Union of Communication

Alan Tuffin.

Workers, UCW Hou

resign. Frank Blackaby. Frankmun Bood, SWN

the chances are that their prospective employers are only too happy to pay.

Mr Landr is pressing for an end to the current system under which Enarques are guaranteed their former public service jobs should they wish to return. I am all for the free

circulation of our elite, but I am against letting them go without risk," he says.

The top Enarques feed into one of the top "grands corps" of public administration — the elite professional training col-leges. The most highly regarded of these is the inspec-torate of finances, the fast track to the summit in the track to the summit in the treasury, open to only a handful of pupils each year. This qualification — held by Mr de Rosen — identifies the holder as one of the couple of dozen or so brightest people of his generation.

larger taking off point for high flyers is the Ecole Polytechniqua, a science college used by Napoleon to train engineers for his army. Most people call it X, pronounced eeks. There are around 350 °X' graduates a year, the top handful of which move on to one of the top four industrial corps. Depending on the corps they choose, alumni might identify themselves as

bain, the privatised glass and packaging group. During his long period in the Saint-Gobain throne, he hired a brilliant youngsier every three or four years, to be groomed for a top job in state-owned industry.

The best known Martin protégés include Mr Fauroux himself (another former chairman of Saint-Gobain), Mr Alain Gomez, the head of the Thomson state-controlled defence son state-controlled defence and consumer electronic group, Mr Francis Mer, head of the Usinor Sacilor state-owned steelmaker, and Mr Jean-Louis Beffa, current head of Saint-

bain, the privatised glass and

Mr Ambroise Roux is Mr Ambroise Roux is another industrial godfather to be reckoned with. As head of the powerful, but almost invisible, Association Française des Entreprises Privées, he is credited with exercising a discreet staering influence on the steering influence on the growth of economic liberalism in the socialist government.

Mr Roux's star is on the
wane since his recent retirewane since his recent retirement from the chairmanship of Générale Occidentale, the publishing group. His protégés include Mr Pierre Suard (like Roux, an X-Ponts), chairman of CGE, the telecommunications and engineering group and Mr Alain Minc — a former Saint-Gobain finance director — who now runs Cerus. Mr Carlo De now runs Cerus, Mr Carlo De Benedetti's French holding

In the financial world, proba-bly the most distinguished god-father is Mr Antoine Bernheim, senior partner of Lazard Frères, the investment bank. Some of France's best-known new entrepreneurs depend on Lazard's discerning support, like Bernard Arnault, the former Polytechnique student who last spring won a bitterly-contested battle for control of LVMH, the champagne-to-handbags luxury products handbags luxury products group, or like Vincent Bollore, the brilliant young founder of the industrial group which

bears his name.

Just how far the change has gone is open to debate. The French establishment is still seen by some people as too rigid, still too much in the grip

of the grands corps.

"This so-called French elits creates a bottleneck," says Rhône-Poulenc's Mr de Rosen. "Of course it's a good thing that we all understand each other very clearly, but the problem is that we don't have enough self-made men. I am sure there are thousands of sure there are thousands of people with talent who don't get near the top because they didn't have the opportunity to come through the top educational and social system." Even so, he and others agree that so, he and others agree that the road to the top in France is becoming just a little more

BOOK REVIEW

The grand illusionist and great survivor

assir Arafat became chairman of the PLO in 1969 and with dogged erseverance he has succeeded in keeping the PLO show on the road ever since in the face of overwhelming odds and a series of stunning reversals that included expulsion from Jordan, evacuation from Leba-non, a Syrian-instigated non, a Syrian-instigated mutiny and an Istaeli bombing of his headquarters in Tunis. But although he has been in the imelight for more than 20 years and although he talks a great deal about himself, he remains an enigmatic and controversial figure — volatile, theatrical and maddeningly difficult to pin down

ficult to pin down.

Arafat's life and career have been shrouded in mystery. much of it of his own making. The title of this book is there fore particularly apt, for it is an attempt to get behind the myths that have been assiduously cultivated around the man and the movement he heads. This is not an exhaus-tive study of the PLO and Pal-estinian nationalism; nor is it a biography, in the strict sense. What it does offer is a highly readable and illuminating account, enriched by inter-views with many of the leading personalities involved, of Yassir Arafat's role in the making of what Palestinians call their

While pursuing the struggle for the liberation of Palestine Arafat has also had to fend of attempts by various Arab rul-ers to appropriate the Palestin-ian cause. The PLO remains a microcosm of inter-Arab poli-tics with different Arab regimes supporting different groups within the organisa-tion. The authors trace with considerable skill and insight Arafat's relations with his Egyptian sponsors, his Saudi sgyman sponsors, his Sanny paymasters, his stormy "peace partnership" with King Hus-sein of Jordan, which ended in divorce, and his deadly enmity with President Assad of Syria. One conclusion that may be drawn is that the policy of armed struggle rendered the PLO almost totally dependent on the goodwill and material support of the confrontation states, whereas the adoption of a realistic political strategy has enabled it to assert more effec-tively its own autonomy. Ara-lat's singular achievement in

BEHIND THE MYTHE Yassir Arafat and the Palestinian Revolution By Andrew Gowers and Tony Walker WH Allen, £14.99

the PLO along the long and tortuous road that led, by the earl of 1988, to the acceptance of the two-state solution, the recognition of Israel and the renunciation of terror. Arafat's great misfortune is that the decline of rejectionism within his own camp has coincided with the emergence of the most rejectionist govern-ment in Israel's history, a gov-ernment which not only refuses to deal with the PLO but also denies any political rights to the Palestinian people. Having achieved Arab acceptance of the PLO as the sole legitimate representative of the Palestinians, UN recog-nition and a dialogue with the us, Arafat now faces a stand-still on the diplomatic front that can only strengthen his opponents within the PLO. On the organisational front the PLO is woefully madequate. Here Arafat cannot escape criticism because his

escape criticism occause his own highly personalised and idiosyncratic style has impeded the development of a sound and durable institutional framework. He operates in a modern environment with very old-fashioned and inadequate tools. Like a traditional Arab leader, he maintains a direct relationship with the masses and he continues to enjoy broad popular support. What is missing is an intermediate political class and a machine to build on this popular support. Nothing has revealed more clearly the shortcomings inherent in Arafat's style of leadership than the intifada. When the intifada broke out in December 1987. Arafat was December 1987, Arafat was taken by surprise. His response, as the authors show, was to pretend that the PLO had initiated this full-scale revolt against Israeli rule and that it was in full control. In fact, the initial impulse, the planning, the organisation and the direction all came from the local leadership. This leadership turned out to be much more innovative, resourceful and self-reliant than its coun-

needed was a political initia-tive to match the practical sacrifices on the ground. Arafat and his colleagues were quick to eash in on the publicity, but falled to translate it into a last-ing political achievement. Much of the international

Much of the international sympathy generated by the intifada for the Palestinian cause was dissipated by Arafat's refusal to side with most of the rest of the world against Saddam Hussein, after the Iraqi invasion of Kuwait. Arafat responded to the Guif crisis in the way he had always in the way he had always responded to crises: he equivo-cated while seeking sporadi-cally to mediate. In the pro-cess, he bitterly antagonised his Arab supporters, dented further his credibility in the west and appeared to vindicate the Israeli refusal to have any truck with the PLO. Admittedly, the support of the Pales-tinian rank and file went to the Iraqi tyrant, but the task of a leader is not to follow the masses; nor can there be any doubt that the interests of the Palestinian movement would have been better served by a principled stand against the acquisition of territory by

Despite this latest blunder. Arafat remains indispensable as the only man capable of holding the Palestinian fac-tions together, of rebuilding the PLO's prestige, and of keeping it in the mainstream of regional and international politics. And despite the lack of any tangible progress towards a Palestinian state, there remains the symbol of the Pal-estinian revolution: an imperfect symbol, but the only sym-

bol they have.
Andrew Gowers and Tony Walker are frequently and frankly critical of their subject but not basically hostile. Their book is written with a genuine feel for the complexities of Palestinian politics and with a keen sense of drama. There is a great deal of new material here which not only brings events to life but leads to a better-informed understanding of one of the great survivors in the turbulent game of Middle East

politics.
The reviewer is a felious of St
Antony's College, Oxford, and
outhor of The Politics of Partition (OUP).

Avi Shlaim

Time for government's economic advisers to go

Sir, The time has come for the intellectual rehabilitation of those few economists who have argued, all along, that this government's anti-inflationary policy was not marginally misguided, but wholly wrong.

This policy is now well into its second year. After more than two years the rate of

wrong.
This policy is now well into its second year. After more than two years, the rate of inflation is much higher than it was when the policy began. That is not some digure, it is a tion from a target figure. It is a total failure. Because of this failure, the eventual cost in

tenerologyment of bringing the rate of inflation down will be discressingly high.

The policy has been a failure because it was based on a had analysis of the working of the British economy. We do not live in some fantasy economy where there is no wage bar-

Doubts about Treasury forecasts

Poll Tax have risen 34 per cent and mortgage interest by 32 per cent. Oil and other fuels have increased by 43 per cent. While I agree that the government, employers and unions should come together and look ahead, how can our members — many of them low paid — be expected to rely on Treasury forecasts of inflation at 5 per cent or 6 per cent by Sir, No one can deny that Britain's entry to the exchange rate mechanism (ERM) effecrate mechanism (ERM) effectively rules out passing on, through devaluation, costs which are relatively higher than the European Community average. ("Setting pay in the ERM," October 15).

This has obvious implications for pay which indeed was pointed out in A New Aganda: Bargaining for Prosperity in the 1990s, which I co-anthored with John Edmonds, general secretary of the GMB. Nevertheless, one cannot help but the real value of their pay has fallen by almost 11 per cent in a year. This is at a time when directors' pay on average has risen by more than 15 per cent. No doubt many of them can afford a pay cut but not those on weekly take-home pay of about \$150 or less. theless, one cannot help but view with some scepticism the chorus of comment telling

milon wage negotiators to look at prospective inflation rates. With inflation at or near the peak of a steadily rising irend since 1988, is it really a coincidence that we are only being urged to look forward now that the retail prices index is expected to fall? Business rates and

International misunderstanding

From Ms Lessia Djakowska. Sir, The Ukrainian students celebrating their victory ("Ukraine not willing to wait any longer," October 20) are giving the sign of the tryzub -the three-pronged trident sym-bol of Ukraine - not the twothe three-pronged trident symbol of Ukraine — not the two-pronged V for victory as stated

Lessin Diskowska,

Association of Ukrainian

Woman,

49 Linden Gardens, W2

in the caption to the picture accompanying the article. A case of misinterpretation of international gestures and nought out of 10 for arithmetic! Lessia Djakowska,

EC mergers: why the prudent will deal with 'both shops'

Sir, I agree with Sir Leon Britisn ("Misplaced doubts on EC mergers," October 11) that some newspaper reports on the respective roles of the Euro-pean Commission and the Brit-ish competition authorities have been based on misunder-standings of the Community merger regulation. Some reports have also misreported my own remarks on the sub-

reports have also misreported my own remarks on the subject in recent speeches.

I have long argued that there is a sound case for control at a Community level of transnational mergers and mergers having significant effects in a number of member states. It is there important that there then important that there should be clarity on which mergers will fall to the European Commission for assessment, and which to the national authorities. The reguhation spells out the ground rules on this — rules designed to achieve a "one-stop shop" for merger control.

In comments on the regula-

In comments on the regula-tion, I have given a number of reasons why a one-stop shop is unlikely to be attainable in every case. Sir Leon mentions two of these the provisions in the regulation which, in defined circumstances, allow a merger covered by the regula-tion to be considered by the national authority. These are where a merger creates a comwhere a merger creates a com-petition problem in a distinct market in a national territory market in a namonal termusy (Article 9) and where a coun-iry's legitimate national inter-ests are at stake (Article 21). But there is another reason — uncertainty whether a merger does full within the regulation. There are a number of rea-

There are a number of rea-sons why there can be doubt, including the application of the turnover thresholds and the definition of merger (or "con-centration" in Community ter-minology). The latter point is illustrated by the very first case notified to Brussels — a share exchange between Ren-ant and Volvo. My point has been that, where there is any doubt, companies may be wise to notify both Brussels and the Office of Fair Trading. There are substantial penalties for or are substantial penalties for failing to notify Brussels of mergers within the jurisdiction of the European Commission. But, if the merger might fall within the jurisdiction of the England Act my office. Fair Trading Act, my office should be informed at the same

time to avoid unnecessary

delay if the merger should, for

any reason, be proporly one for the British authorities.

Delay in dealing with a merger can be as serious to companies as financial penal-ties. That is why I have said that dual examination of some British mergers which seem to fall within the regulation is likely to continue.

content of their address books as for their formidable brains.

For they have the unspoken

right to contact almost any fel-low alumnus, though this is

As a mark of how the public

As a mark of how the public administration's senior man dominate business, only two of France's top 25 companies have been run consistently by

career managers over the past 20 years, according to a recent survey carried out for the financial newspaper Les Echos, In some cases specific jobs are even reserved for certain corps,

a far more structured old boy network than its Oxbridge counterpart in the UK, or Har-

counterpart in the UK, or Har-vard and Yale in the US.

The top people at Riectricité
de France, the state power utility, and at Seita, the state
tobacco group, for example,
have traditionally come from
the Ecole Polytechnique. The
chairmanship of Elf Aquitains,
the state-controlled oil group
was reserved for X-Mines until
recently, when the government

recently, when the government relsed eyebrows by appointing a graduate of the Grenoble

National Polytechnic Institute, Mr Lolk Le Floch-Prigent -

though this socialist does have

a public service background as a former chief adviser at the

a former chief adviser at the ministry of industry.

These networks would not operate so efficiently without the existence of several string-pulling godfather figures, like Mr Roger Martin (X-Mines), a former chairman of Saint-Go-

used with discretion.

likely to continue.
It is nonsense to say, as has been reported, that I shall insist that any mergers which fall within the scope of the regulation must get "domestic clearance first". Mergers which tell within the score of the result of the score clearance first". Mergers which fall within the scope of the regulation will, normally, be decided upon by the Commission (I have to say "normally" because of the provisions of Articles 9 and 21) by reference to the criteria in the regulation. I have, incidentally, welcomed the fact that those criteria regulation are to the country of the Commission to

comed the fact that those criteria require the Commission to consider the effect of a merger on competition and on competition only, and debar the Commission from authorising an anti-competitive merger on broad grounds of industrial, regional or social policy.

But, although the decision whether or not a merger is compatible with the Common Market lies with the Common the decision is to be reached, as Sir Leon points out, by way of "constant con-

reached, as Sir Leon points out, by way of "constant consultation with the national authorities". My staff will have to look at all mergers covered by the regulation if this advisory function is to be properly carried out. Some commentators have confused this advisory role of the member states with the role of deciding whether or not a merger within the scope of the regulation should be prohibited.

The Community merger regulation has been in operation since September 21. It is a

since September 21. It is a major development in Community competition policy. Inevitably, there will be varying views about it, particularly at this early juncture. My own risus are not creative at odds. views are not greatly at odds with those of Sir Leon in his article. Certainly, I have in no way challenged the principle of the one-stop shop. But I do think that companies will still find it prudent to deal with both authorities - both shops - at least on some mergers, and at least in the early stages of the procedures. Gordon Borrie,

director general of fair trading, Field House, 15-25 Bream's Buildings, EC4

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PARLIAMENT TO MEET ON NOVEMBER 7

India set for early general election

By David Housego in New Delhi

INDIA last night faced the prospect of an early general election as parliament was summoned for a special session on November 7 and ministers acknowledged that the ruling coalition would be unlikely to gain a clear mandate in a vote

Close associates of Mr V.P. Singh, the prime minister, described an election as "inevitable". At a meeting, leaders of his Janata Dal party concluded that they would either be defeated on the floor of the defeated on the floor of the House or left with such a mini-

mal majority that stable government was impossible.

A day of violence throughout the country left at least 16 dead as Hindu militants took to the streets as part of a nationwide strike called by the radical

negotiate on

farm reform

THE EUROPEAN Community

yesterday warned against sug-gestions that its proposal on farm reform, once tabled, would not provide a basis for

further negotiations.

The BC accepted responsibili-

The BC accepted responsibility for delaying the farm talks but would negotiate in good faith, Tran Van-Thinh, head of the EC delegation, told the Trade Negotiations Committee, the governing body for the Uruguay Round trade talks.

The talks on farm reform have been in limbo since the EC missed the October 15 dead-

line for tabling its offer and ministers from the 12 member

states have continued to disagree over the terms of the offer.

Tran Van Thinh's warning

came after several countries had complained about the inadequacy of the offer being fought over in EC ministerial

Mr Peier Vield, chief negotia-tor for Australia, which leads the Cairns Group of 13 farmers-porting nations in the talks, had described the EC offer as "minimal tinkering" with the

Argentina stated that the

offer could prevent meaningful negotiation while Brazil noted

that in its present form the offer would damage \$2bn worth

of Brazilian exports and leave

its farmers worse off than now. Reporting to the Trade Nego-tiations Committee on other

areas, Mr Arthur Dunkel, Gatt's director general voiced "very deep concern" about the stats of the talks on foreign

investment and on revisions to

Gatt's anti-dumping and subsi-dies codes, where under the

new deadlines for the negotia-

tions, agreed texts are due in

two days.

Mr Dunkel urged governments to get out of their

entrenched positions.
The October 19 deadline set

for nine subjects has been

Texts amending Gatt rules on import licensing, customs valuation and three Gatt

articles are ready, but the deadline passed without agree-ments on rules of origin and

preshipment inspection, while differences of opinion remain

over improvements to Gatt's dispute settlement mechanism.
Governments which had tabled sugestions for improv-

ing the government procure-ment code, the US and the EC,

appeared to be no longing pur suing them, Mr Dunkel said.

Unless all these issues were quickly finalised, negotiators would not be in a position to

address in a responsible way the key elements of the Uru-guay Round, agriculture, tex-tiles, intellectual property

rights and safeguards, Mr Dun-kel warned.

ernments had to take decisions

eriments that to take decisions now or agreements would not be possible in the Round.

• Mr.lacques Dekris, the European Commission president, hinted yesterday that the present

impasse over EC farm reform

In each of these areas gov-

missed in several cases.

current dis

farm trade.

proposals'

By William Builderon

EC 'will

Hindu Bharatiya Janata Party

The strike was in protest The strike was in protest against the arrest of Mr L. K. Advani, the BJP leader, who was arrested on Monday under the Internal Security Act. The BJP then withdrew its key support for Mr Singh's National Front coalition.

Front coalition.
At the centre of the troubles is a plan, backed by Mr Advani, to build a Hindu tem-ple at Ayodhya in north-east india on the site of an existing

In Jaipur state nine people were killed in Rajasthan – one of the country's main tourist centres - as crowds of Hindus and Moslems looted and burned shops in communal clashes. The city was placed

Ms Benaxir Bhutto (left) casts her vote at Naudearo in yesterday's Pakistan general elec-tion, while her main rival, Mr Nawaz Sharif (right) of the Islamic Democratic Alliance, votes at Lahore.

The vote was held peacefully despite a highly charged election campaign after the military-backed ousting of Ms Bhutio as prime minister in August. As the count continued late into the evening, police and troops were on standby.

Mr Ghulam Mustafa Jatoi, the interim prime

By Hugh Carnegy in Jerusalem

ACCESS to Israel from the

occupied territories was closed yesterday as security forces ordered all West Bank and

Gaza Strip residents to return

home in an effort to cap a surge of violence in which

three Jews and two Arabs have

died since Sunday. Thousands of soldiers, police

and paramilitary forces were mobilised to block roads amount the "green line," preventing more than 100,000 Palestinians

with jobs in Israel from reach-

ing work.
On the main road into Jerusalem from Bethlehem, troops manned roadblocks turning

back most traffic. However,

some workers evaded the road-blocks and got through by

crossing olive groves on foot.
Mr Moshe Arens, defence
minister, said the mea-

sure - which has been used before at times of high tension during the near three-year Pal-

estinian uprising - would stay

the army also took control in nearby Jodhpur and Beawar. The other state badly hit by rioting was Gujerat in the west where the death toll in Ahmad-

bad has risen to six.

The special early session of parliament is being summoned at the initiative of President Ramaswamy Venkataram who declared yesterday that Mr Singh's administration had lost Singh's administration had lost its majority with the withdrawal of support by the BJP.

The government's calculation is that the maximum votes it can muster with the support of friendly parties is 206 in a parliament of 543. This would leave them evenly matched with Mr Rajiv Gandhi's Congress Party which can equally look to about 206 votes. The BJP has still to decide whether

BJP has still to decide whether

Israel keeps out Arabs from

West Bank and Gaza Strip

in force for several days while

security was reviewed.

The spate of attacks on Jews
by individual Palestinians

inside Israel was prompted by the killing of 20 Palestinians in Jerusalem by Israeli police ear-lier this month.

The government continued to resist pressure from the US

to co-operate with a UN mis-

sion sanctioned by the Security Council to investigate the October 8 killings, suggesting instead that the results of an independent commission, due

to report later this week, could be used as Israel's response. Mr Faisal al-Husseini, the

Mr Faisal al-Husseini, the most prominent public leader of the Palestinian intifada (uprising), was released yesterday after his arrest at the site of the killings but no charges were brought against him.

The sealing off of the West Bank and Gaza immediately hit several Israeli industries which use Arab labour heavily.

which use Arab labour heavily.

it will abstain or vote against the government. The chances of Mr Singh being toppled from within his own party waned yesterday after Mr Devi Lal, the former deputy prime minister and a continuing critic of Mr Singh, said this was no time to

change leader. Mr Singh foreshadowed the themes of an election campaign in a statement last night in which he said the govern-ment had staked its survival to defend India's secular tradition of Hindus and Moslems living

The dominant theme of the campaign will be determined by the BJP's support for Hindu fundamentalism and the construction of the temple at

minister, warned in Karachi against any attempts to disrupt law and order after the

islameled, supporters of candidates includ by Ms Bhutto's Pakistan People's Party and their government-supported islamic Democratic Alli-ance rivals mingled at several locations.

In the centre of Rawalpindi city outside

notably textiles, food process

ing and construction. Demand

for substitute Jewish workers, especially Soviet immigrants

prepared to work for low

wages, have risen sharply. Mr Roni Milo, police minis-

ter, said employers should drop Arab workers in favour of Jews. Employers have learnt to

adapt to sudden interruptions

adapt to sudden interruptions of labour during the intifada and the main impact is felt by Palestinians who have become more reliant, not less, on work in Israel for income since the uprising began.

"What happened here is for the sole and sovereign treatment by the state of Israel viaths (investigating commis-

the (investigating commis-sion)...The UN cannot have any

status in both investigating and reaching conclusions on the matter," said Mr Yossi Ben

to lead new regional jet consortium William Dawkins in Peris

By David Goodhart in Bonn. and John Wyles in Rome

DEUTSCHE Aerospace, the aerospace division of Daimler-Benz, looks set to lead a con-sortium including French, Ital-

Netherlands and British Aero-space. Leadership of such a project would probably have fallen to BAe which already

fallen to BAe which already produces a successful jet in the regional range.

The preferred "southern" option could have implications for future defence aerospace projects too, especially if the French could be persuaded to join them. The British aerospace establishment has become increasingly frustrated become increasingly frustrated working with the Germans on defence projects, partly restrictions. The Eurofighter aircraft is now almost certain not to include the Germans at the production stage, if it is produced at all,

brave market

Continued from Page 1
"We should be prepared for market conditions," Mr Frolov

As for the international edi-tion, it will be launched in co-operation with major newspapers in Britain, France, Japan and the US, he said. "This Pravda title will be

The truth (or pravda, in Russian) is, however, that the newspaper's international prestige, just like its domestic position, is inextricably linked to that of the party. Financial

Daimler-Benz division set

sortism including French, Italian and Spanish aerospace groups to build a new regional jet airliner seating between 75 and 100 people.

The project, which may also include the Chinese, is still at the feasibility stage but the Daimler board is understood to have given its backing. An official from Aerospatiale, the French state-owned aerospace group, confirmed that discussions were going on.

The MPC 75, as the jet is to be called, appears to have superseded earlier negotiations over a regional jet project between Aerospatiale, Aeritalia of Italy and Casa of Spain. France and Italy have for the past five years co-operated on a turbo-prop com-

for the past five years co-operated on a turbo-prop commuter aircraft but this has had some technical problems.

Dentsche Aerospace will lead the new project, if it gets off the ground, and it will be based in Hamburg. That would make it the first major multi-patienal aerospace venture led national aerospace venture led by the Germans. There has been growing resentment in Germany that most significant projects – such as the Airbus, French-led, or the European Fighter Aircraft, British-have non-German lead-

The desire to assert German leadership is, according to aerospace analysts, one reason why Denische Aerospace has not pursued a second "northern" option of building a new regional jet with Fokker of the Netherlands and British Aerospace

produced at all.

Deutsche Aerospace would still favour European collaborative projects to include the British and has even suggested establishing a five or six nation private consortium, based in London, called European Military Aircraft.

Pravda to

work as an entrepreneur in the sphere of information. Just to get newsprint, our suppliers now say we must guarantee them supplies of something else. It is the Russian style of market. The way out is only in what we have proposed to do."

If Frolov said that a meating of the Communist Party
Central Committee secretariat,
on Tuesday, gave the green
light to turn Pravida into an
independent pracedation in

independent association, in control of its own finances. Now it plans to step up its advertising content ("the advertising in Pravda is very expensive, and foreign companies pay a lot of money for it"). launch Pravda International, and start party televitional, and start party televi-sion programmes. "We will rent a television studio and make our own films, which then will be shown on national

preserved. The title is very influential in the world," he

independence or not, the two will sink, or swim, together.

Polly Peck's last flight

relative to domestic markets

UAL AV.

year, it had better not under-mine the business. But that is probably too simple a view. Assuming the Government sells 100 per cent of the regional electricity companies, it does not need to sell the rest of BT. What better way to win the hearts and minds of the electrorate than by promising

electorate than by promising

electorate than by promising new competitors equal access to the network, provided they knock 15 per cent off the aver-age domestic phone bill? Until the Covernment demonstrates that it is not harbouring such radical ideas, BT's shares are going to carry on underper-forming.

Aldines

Share prices

The suddenness of Polly Peck's collapse has rarely been equalled in British commercial history. Three months ago today, the value of its shares hit a peak of almost £2bm on the London stock exchange. It now seems quite possible that they are worthless. This seems to pose a stark choice; either the system of audited financial reporting wholly falled in its object, or something else went on which has yet to be dis-

What this does to the confidence of the stock market remains to be seen. More certain is the assumption that the banking community, already much more nervous of lending than it was even six months ago, will be more likely to pull the rug from businesses which might otherwise have scraped

by.

The only way forward for shareholders seems to be to seek some form of legal redress against the directors themagainst the directors them-selves, including Mr Nadir. As for the department of trade and industry, it surely cannot now refuse to send in Companies Act inspectors to ascertain just what lies behind this calamity and to suggest ways of pre-venting a recurrence.

The stock market is right to

The stock market is right to be perplexed about the Government's imminent review of the UK telecommunications industry. Yesterday British Telecom issued its thoughts on the subject; and it would be surprising if most professional investors, let alone the small shareholder, were left any the wiser. The jargon is confusing, the call for stronger competition and less regulation is little more than propagands and Smiths Industries Once a defence stock, always a defence stock. The market's response to Smiths' 7 per cent increase in profits and 11 per cent rise in dividend was characteristically cool. The company may have its devoteer, but its shares have underper-formed by 20 per cent over the last three years and the defence outlook will not reverse the trend, despite the more than propaganda and there is scant recognition of the fact that the review is

reverse the trend, despite the Gulf crisis.

The results included a first half troubled by strikes and the restructuring of the serospace business; the second half simply defied expectations. The medical business increased profits by a quarter and could do better again this year. Manufacturing was checked by depressed customers, but managed to maintain profits. Early remittances of US funds offset the impact of dollar weakness on profits by 23.4m, but the overall numbers showed a company benefitting from its the fact that the review is developing into a much more political affair than was imagined only a few months ago.

One has some sympathy with BT's complaint that the original loose regulatory rein at the time of privatisation has been replaced by a more rigid and at times inconsistent framework. However, the real problem is that six years on BT problem is that six years on BT is still a plumpish monopoly. With a new Trade Secretary, and a Government desperate to make its mark ahead of the next election, it would be sur-prising indeed if BT's thoughts company benefitting from its concentration on a range of on the duopoly review formed the basis of the forthcoming

high margin products. Nevertheless, given Smiths' dominant avionics business, its green paper.
Of course, there is a school of thought which says that if the Government wants to sell its remaining stake in BT next long-term fortunes will wax and wane with defence. Here the company is hedging its

bets. It has already cut its workforce by 12 per cent; but there could be further lay-offs in the UK if the peace dividend does materialise. For now, the smaller civil side looks well supported by Boeing's 737 order book and bids are in for the 777 aircraft. Further out the orderbook must be susceptive orderbook must be susceptive. the orderbook must be susceptible to the effects of recession.

Smiths certainly has enough cash to make substantial acquisitions — £115m, or roughly 20 per cent of its market capitalisation. But on forecast earnings of £127m this year the shares are on a prospective p/e of 7 and a similar yield: distinctly low-flying.

Suez

The short sharp succession crisis at Compagnie de Suez is over, but many questions still linger. With a market worth of FFr42im (242in), the banque d'affaires is too large for international investors to ignore, if only as a way into prize Suez assets like Victoire, one of Europe's best-run insurance Europe's best-run insurance companies. There is the appeal, too, of arbitrage. Perhaps Suez's 6.5 per cent shareholder UAP, the state-owned French insurer, harbours ambitions to control the group or to carve it up. And if the new Suez chair-man, Mr Gérard Worms, really meant business yesterday in his talk about Hanson-Ising his ns talk about Hanson-Ring in sprawling company and its subsidiary Générale de Belgi-que, the rewards could be sub-stantial. But these are big ifs; not helped by yesterday's fore-cast of flat or falling earnings

per share.

Take, first of all, structure and leadership. The elevation of Mr Worms does not look as of Mr Worms does not look as tidy a solution as this year's appointment of the respected Mr André Lévy-Lang to run Snez's rival Paribas. One wonders if Mr Worms will have much time or scope for hands on management. He inherits potential differences between his eight biggest shareholders and thorny issues, such as the cool relations between UAP's and Victore's management.

Then there is the weakening European economic environ-

European economic environ-ment. The well-known problem area is FN, La Générale's small-arms subsidiary. Asset sales will be hard for Sum to make at good prices. It is wor-rying that so much of Suez is construction and real estate-related, given continuing high French interest rates and slow-ing activity. One sees why Sues's shares are trading at a 30 per cent discount to net asset value.

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Agent
N M Rothschild & Sons Limited

October 1990

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alter demands

US Democrats

Continued from Page 1 Congressional leaders are keen to resolve the matter quickly after incurring widespread criticism for the crisis, which has involved four threatened shutdowns of the government and has disrupted the US Treasury's funding pro-

Both sides accept that unless a solution is found quickly, there is a danger that there will be strong Congressional pressure to defer decisions until after the mid-term elec-

Such is the sensitivity of the issue that Mr Bush unusually refused to answer questions when he appeared in the White House briefing room to announce the resignation fo Mrs Elizabeth Dole as Labour Secretary. She is becoming president of the American Red

could be broken tomorrow.

Speaking to journalists in Stresbourg, Mr Delors said he thought Brussels was ready to Cross.
Mrs Dole, who said she wanted to turn her attention to provide Germany with guaran-ises that plans to cut EC farm subsidies would be softened with compensation payments and "accompanying" measures. Page 3, US may cut tariffs, Page 3 humanitarian efforts, was the first person to resign from President Bush's cabinet. "It is with real deep regret that I accept this resignation," Mr

Aharon, director-general of the prime ministry. Jerusalem, holy shrine of intractable conflict, Page 4 Iraqi admits using hostages in attempt to split alliance

Continued from Page I ment nor the local media reacted to French statements that Paris was not ready for a compromise solution – short of a complete Iraqi withdrawal from Kuwait – in return for releasing French nationals. At a special session of the Iraqi national congress, Mr Tariq Azziz, foreign minister, indicated Baghdad was antici-

pating that Paris would seek further support for proposals announced by President François Mitterrand last September. The French proposals called for a complete with-drawal of Iraqi troops from Kuwait but also stressed that it should be followed by intensified efforts to find a formula to solve the Arab-Israeli conflict. "The French initiative is a

new phenomenon in the western political position," Mr Azziz told the congress. In contrast to the official view, some members of the congress, which is seen as no more than a rubber stamp for President Saddam Hussein's decisions, expressed concern that the release of French nationals might not succeed in effecting a shift in the French position.

The concerns were echoed by other ordinary Iraqis who followed the special session of congress that approved the French hostages' release. The policy of selective release of western nationals appears to have generated mixed feelings in Baghdad. On one hand it is seen by Iraqis as a sign that prospects for a military confron-tation are receeding. Equally, there are those who fear the European position

will remain unchanged.
"Why should France be treated differently... why didn't we wait for France to announce something tangi-ble such as withdrawing its troops from the Gulf or opposing the blockade against Iraq," said a young Iraqi.

It was an unusually open criticism of an official posi-

WORLDWIDE WEATHER ratures at middley yeagentay: G-Capachy Dr-Didazle: F-Fair Fg-Fast H-Hall H-Pauln S-Gurny: SI-Shed: Sa-Satur T-Thuader IMI plc, Birmingham, England.

FINANCIAL TIMES COMPANIES & MARKETS

Thursday October 25 1990

SAA Nice And Easy

SAAD

Profits fall by 24% at SKF

Third-quarter profits at SKF, the world's leading rolling bearings manufacturer, have fallen 24 per cent after financial items to SKr435m (\$77.4m) ending a two-year period of profit improvement. The Swedish group's managing director, Mauritz Sahlin, blamed the decline on falling demand for SKF products from industrial customers, made worse by "the tense sit-uation in the Middle East". Mr Sahiin said profits for 1990 as a whole would be less than the SKr2.48bn achieved last year. Page 21

Eurotumne! revival



Today, more than 200 international banks are due to sign a new £2.1bn (\$4.09bn) loans pack age, which must be completed before a 2530m rights issue can go ahead next month. The cash is

Eurotunnel has come

needed to finish the scheme, which has risen in cost from an initial estimate of 24.8bn in 1987, to £7.7bn — an increase of 60 per cent. Andrew Hill and Andrew Taylor report. Page 20

Anglo United sells stake in NSM



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Angle United, the UK tuel distributor and mining company, which last year borrowed £440m (\$856m) to buy the much arger Coalite group, has sold its stake in NSM, the mining and building materials group to help reduce its debt. Anglo, headed by David McErlain (left), must

repay £175m to its banks by the end of the year. Yesterday's placing of its 20.62 per cent stake in NSM releed £32m.

Seez to tighten its belt

Ten days after taking office, Gerard Worms, the new chairman of Compagnie de Suez, yesterday outlined his strategy for the French finan-cial conglomerate. Suez would have to tighten the management of certain subsidiaries and would probably dispose of some assets, he warned. He added that Suez would remain the majority shareholder in Victoire, the French Insurance company, and La Générale, the Bel-gian industrial holding company. Mr Worms announced a 42 per cent rise in group net prof-its to FFr2.7bn (\$531m) at the halfway stage.

Talwan prepares to open up

Taiwan's lethally volatile to qualified foreign institutions by the end of the year. But at a time when the market is wellowing at 70 to 80 per cent below its February peak a headlong rush from abroad seems unlikely. Among those suspicious of the Japanese govern-Sep 1990 Oct ment's motives is the head of one financial services consultancy in Taipel. "Foreign institutions are in busine make money, not to ball out the market," he

Merket Statistics

Base lending raise FI-A indices FI we band service Financial futures Foreign wichinges London recent issues London share service

London track, options Managed fund service Money markets New Int. bond issues World commodity prices.
28 World stack mkt indices
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30 Lionheart
26 McDonald's
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30 Norton Group
30 Nove Corp
30 Num
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Chief price changes yesterday

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Ivory & Sime

United takes the house by storm with transatlantic

• THE FINANCIAL TIMES LIMITED 1990

Paul Abrahams and Nikki Tait look at the US carrier's latest deal

R STEPHEN Wolf, the chuirman of United Air-lines, has been a busy man since he was given instruc-tions a fortnight ago at a board meeting of UAL, the airline's parent, to implement a new strategy.
Since that meeting, Mr Wolf has placed the largest order for new aircraft in aviation history, launched Boeing's latest generation 777 aircraft, and made peace with the company's largest share-holder, Coniston Partners, which previously wanted to break up the airline.

encore

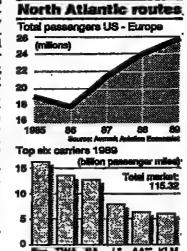
As an encore, on Tuesday Mr Wolf shook the world civil aviation industry by negotiating the acquisition of Pan Am's most valuable routes between the US and London, together with a cou-ple of 747-200s, for the tidy sum of \$400m.

The deal, which gives United all of Pan Am's facilities at San Francisco International Airport Washington Dulles International Airport and London Heathrow, allows United access to the highly lucrative US-London routes. However, it also under-mines United's marketing agree-ment with British Airways.

For United, the deal with Pan Am has considerable logic, although some US analysts view

the \$400m price tag as generous. It significantly enlarges the carrier's presence in Europe — and London, in particular — in one step, and avoids the piecemeal build-up of routes some of its

competitors are attempting.
The number of United's nonstop flights to Europe triple with
this deal, while its US gateways
serving: European destinations
increase from two to six.
Admittedly, the transaction is
still subject to regulatory approvals from the US Department of Transportation and the Department of Justice. As far as the former is concerned, the issues are largely those of competition, bilateral agreements with the bliateral agreements with the UK, and general public benefit. The authorities, aheady considering the purchase by United's deadlest rivel, American Airlines, of TWA's Chicago-London route, declined to specify any deadline for its decision.



American Airlines said yester-American Arrines sain yester-day it would be raising serious concerns about the deal. How-ever, most observers expect the deal will get through. The most persuasive argument, it is suggested, is the potential impli-cations for Pan Am if it does meet obstacles. "The authorities just have to face up to fire-sales," said one analyst bluntly. United's strategy is also based upon the assumption that the air-

line will be given permission by the UK Department of Transport to use Pan Am's facilities at Heathrow airport. However, the licences arouned by United stipu-late London, rather than any par-

cular airport.

Existing UK rules prevent any scheduled carriers operating out of Heathrow. However, United does not have any operations there at the moment and, if the rules are strictly applied, the airline should be forced to operate out of the less fashionable airport at Gatwick. Such a decision was forced on American Airlines when it acquired TWA's Chicago/London

Mr Cecil Parkinson, the UK secretary of state for transport, is

faced with a tricky dilemma. United argues that bi-lateral agreements between the UK and US allow for Pan Am to be replaced by another US carrier. It explains that Pan Am is pulling out of Heathrow and the status quo is not being altered.

However, if Mr Parkinson gives United permission to use Heathrow, he will face angry protests from airlines such as Cathay Pacific and American Airlines which have been prevented from

which have been prevented from using the airport under UK rules. If he refuses permission and United is told that it must operate out of Gatwick, the deal could

F or British Airways' chair-man, Lord King, the deal is a double blow. United has far better aircraft, marketing skills and computer systems than carrier with far more competition on the north Atlantic routes. According to Mr Tim Coombs, an analyst at County Naiwest, about 85 per cent of BA's operat-ing surplus last year was pro-vided by the airline's Atlantic

operations . Lest night, Mr David Coltman.

From one passenger to 25.8m in 63 years: Charles Lindbergh, the first to fly across the Atlantic, with the Spirit of St Louis vice-president of United's Atlan-tic division, said that the airline would compete vigorously from the five gateways that the air-lines there. Lord King will also be upset by the effect the deal will have on his company's marketing

his company's marketing arrangement — signed in 1967 — with United. The arrangement provides BA with access to the US carrier's domestic network.

During the marketing agreement's first two years, transfers between the two airlines increased by 30 per cent more than the overall growth in passenger numbers.

sanger numbers.

Mr Andy Chambers, an analyst at the Nomura Research Institute, says that BA may well be forced to make a significant change in its strategy following the United deal. RA's share price yesterday fell 7p to 147p in Lon-don.

For Pan Am, the move reflects further retrenchment, at the very ast. On the one hand, the move is a financial necessity. The com-pany is heading for the difficult fourth quarter/first quarter period; and before the full impact of higher fuel prices was known, at least one leading analyst was

predicting that the carrier would need to generate at least \$100m in asset sales to survive the winter. One analyst was even speculating that further disposals might flow from among Pan Am's remaining European routes.

hether a viable, if much smaller, siriline results from this process is a much-debated question. Pan Am and United have also signed a co-operative agreement on South American routes.

That said, the pessimists point

out that said, the pestimists point out that American, a much stronger airline, has acquired the Eastern Airlines routes, making it a much stronger competitor on the Latin American front. "The prospects for recovery can't be very good," comments Paul Turk at

Avmark consultancy, a gloomy forecast school elsewhere.

Meanwhile, the airlines affected by United's deal will be awaiting the conclusion of bilateral talks in Washington this November, when the regulatory hurdles will be discussed. Without the go-ahead of the governments, Mr Wolf's deal will fall apart. Lex, Page 22; Continental may

Hahn set to stay as VW chief until 1993

By Andrew Fisher in Frankfurt

MR CARL HAHN, the chief executive of Volkswagen, is almost certain to stay on for two years after reaching retirement age in 1991. He will be staying on to over

see the German car group's drive into east Germany and eastern Europe and to guide it into the post-1992 EC market.

VW said yesterday that a spe-cial committee of its supervisory board, which appoints top man-agement, had recommended that Mr Hahn, 64, stay on until the

end of 1993.

The committee includes Mr Klaus Liesen, chairman of the VW supervisory board and head of the Ruhrgas utility, and Mr Franz Steinkühler, the deputy chairman and leader of the big IG Metall trade union. The proposal is therefore virtually sure to be accounted when the full to be accepted when the full

board meets on November 16.

The decision was preceded by speculation that Mr Hahn, who has headed VW for nearly nine years, would be asked to continue in office; it is usual for German executives to step down

Not only has the group embarked on a DM5bn (\$3.3bn) venture in east Germany, where he was born, but it is also keen to acquire a stake in Czechoslowskia's Skoda car maker.

VW is regarded as the front rumer for Skoda by some Ger-man industrialists, but is up against a strong joint bid from Renault of France and Swelen's Volvo. Mr Hahn has taken a strong personal interest in VW's advance into east Germany – its Wolfsburg headquarters is next to the old German border. He regards the east German move as an important step in establishing a strong position in eastern

Europe. In its west German home to

W is contending with considerable cost problems. Its South American operations have also been in difficulties.

In the first half of 1990, VW's pre-tax profits dropped by 16.5 per cent to DML.16bn as a result of the strong D-Mark, tougher European competition, and weak markets in Brazil and Argentina. Lower taxes, however, left net profits 6.2 per cent higher at

profits 6.2 per cent higher at DM428m.

Among the candidates to succeed Mr Hahn were Mr Daniel Goeudevert, 48, the former head of Ford-Werke (Ford of the US's German subsidiary) who joined VW last year; and Mr Helmut Werner, 54, the Daimler-Benz director for trucks who previously has ded Continental tyres. onaly headed Continental tyres.

Southland files bankruptcy petition as debt plan fails

SOUTHLAND Corporation, the parent company of the 7-Eleven parent company of the 7-Eleven convenience store chain, yesterday filed a bankruptcy petition with a "pre-packaged" reorganisation plan under Chapter 11 of the US bankruptcy code.

Southland's bankruptcy filing came after the highly leveraged company had failed to win approval for a debt swap from

approval for a debt swap from bondholders. Bondholders have repeatedly given a cold shoulder to the company's exchange offer, despite several extended deadlines. Under the new plan, pre-packaged by Southland and its creditors to speed up court approval Southland's \$1.8bn publicly traded debt will be balved. The Dallas-based company, which has around 7,000 outlets

in 1987 by the Thompson family, its founders, in a \$4.9bn lever-aged buy-out. Although there had been fears that a bankruptcy fil-ing would jeopardise the company's stock purchase agreement with Ito-Yokado, its Japanese partner, Southland announced that this deal would go forward. Under the agreement, Ito-Yo-kado will buy 70 per cent of Southland's common stock for \$430m in cash. This is contingent reorganisation by March 15.

In connection with the bankruptcy filing, made in the US Bankruptcy Court in Dallas, Texas, Southland said a syndi-cate of lenders had agreed to pro-vide \$400m in debtor-in-possession (DIP) financing, pending confirmation by the court of its

ing, common in bankruptcy cases, is an extension or expansion of a company's credit line. The company will use the funds as working capital. The syndicate is being led by Bankers Trust. Southland has asked for a bankruptcy hearing on December 10, and if the reorganisation plan is approved security holders will receive about 25 per cent of the company's common stock. The Thompson brothers, whose father founded the company, will retain 5 per cent of the common stock. At the final tally on Tuesday,

security holders representing 89 per cent of the outstanding printhe outstanding shares of pre-ferred stock voted to accept the plan. If the court accepts it, it will be imposed on all remaining security holders.

Goodyear incurs \$61.4m loss

By Alan Friedman in New York

GOODYEAR Tire & Rubber, the last surviving US-owned large tyres group, yesterday reported a \$81.4m third-quarter deficit, the biggest quarterly loss in the compamy's 92-year history. The poor results were forecast by the company last month.

The troubled Akron, Ohio, company, which recently surrendered its world leadership to Michelin of France, also plans to lay off 3,000 employees by mid-1992, including a previously announced 1,180 in Europe. Mr Tom Barrett, chairman, yesterday admitted concern

about the depressed price of Goodyear's stock, which has been sold off steadily because of mar-ket worries about losses, and financial problems stemming from Goodyears' under-used \$1.6bn California-to-Texas oil

Yesterday, Goodyear's shares

stood at \$16%, up \$%. This was a charges linked with the previously announced loss of 1,180 and 41 per cent lower than when Goodyear reported a \$9.4m sec-ond-quarter loss at the end of Goodyear's market capitalisation stands at just \$941m, com-

pared to \$2.7bn at the end of the 1969 third quarter, when the com-pany made a \$70.5m net profit. Goodyear has multiple problems. Although third-quarter sales rose by 8.2 per cent to \$2.9bn, the company faces severe competitive pricing in the tyre replacement market, reduced car and truck production, and increased selling, administrative and general expenses. It also has

The third-quarter loss was worsened by \$68.6m of pre-tax write-offs. Some \$46.4m of these resulted from restructuring

to cut production to reduce

medium and heavy truck tyre production at a Quebec plant and the rationalisation of operations in Canada and Argentina. A fur-ther \$22.2m of charges were caused by environmental clean-up costs associated with

discontinued operations.
Goodyear is meanwhile burdened by a \$3.5bn debt load stemming in part from its loss-making All American Pipeline, an ill-fated project that was built without contracting any shipments with big California oil companies. The 1.750-mile pipeline was supposed to carry off-shore crude from Gaviota, near Santa Barbara, to West Texas. Instead, it has turned into a costly white elephant and has been snubbed by California oil companies such as Chevron.

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SGS defers

plan to enter

D-Ram chip

SGS-THOMSON, the Italian-

SGS-THOMSON, the Italian-French semiconductor manu-facturer, has had to defer plans to enter the dynamic random access memory (D-Ram) mar-ket because it has not been able to find a partner to share the investment costs.

Mr Pasquale Pistorio, the group's president, said last March that he wanted to enter

the D-Ram market by the end of this year. He believes the group has to become a volume

group has to become a volume producer of D.Rams, the basic building block of the electron-ics industry, if it is to maintain its technological expertise in more advanced products.

SGS-Thomson, which is jointly-owned by Thomson CSF, the French state-controlled electronics company, and IRI/Finmeccanica, the Ralian state-owned holding group, had hoped to persuade another

semiconductor company to share the costs of D-Ram pro-duction. It has had talks with

duction. It has had talks with chip makers in the US, Europe and Japan. The company's preference, however, is a partnership with Siemens of Germany, the only Europeanowned manufacturer of D-Rams. The two companies have not yet agreed terms.

SGS-Thomson has made D-Ram sample products at its plant in Texas. With a new D-Ram factory costing \$10n or

more, however, SGS-Thomson is unlikely to begin volume production on its own. The company made a small not profit of \$3.2m last year on select of \$1.30m.

European-owned companies have had difficulty establish-

ing themselves as producers of memory chips. Philips of the Netherlands said last mouth that it was ending pilot produc-

tion of another type of memory chip, one-megabit static ran-dom access memories

(S-Rams). Siemens has achieved impressive D-Ram-sales and accounts for about 20

per cent of the European mar-ket. Siemens' D-Ram operation is, however, beliaved to be los-

SGS-Thomson said yesterday

sales of \$1.3bn.

market

By Michael Skapinker

INTERNATIONAL COMPANIES AND FINANCE

NEWS IN BRIEF **Nokia shows** sharp rise to FM425m

NOKIA, the Finnish electronic and data systems company, yesterday reported a sharp rise in eight-month group profit before tax and minority interests to FM425m (\$113m) from FM256m a year earlier, writes Our Financial Staff.

Earnings per share rose to FM3 from FM1.7. Sales edged up to FM13.94bn from FM13.73hn.

Nokia said market demand strengthened in consumer elec-tronics, mobile phones and telecommunications. This off-set difficulties caused by tightening conditions in the computer sector and in some of the areas where Nokia's cables and machinery and basic industry groups operate.

E Proventus, the Swedish investment company, has raised its equity stake in the French department store concern Nouvelles Galeries to 19.1 per cent by acquiring a 7 per cent interest from the New Zealand investment group Industrial Equity (Pacific) for about SKr400m (\$69m), writes John Burton.

The deal includes an option to acquire another 3.1 per cent in Nouvelles Galeries from IEP subject to French government

M Banque Nationale de Paris has taken a controlling stake in French independent stock-broker Boscher, which has been hit by steep losses, Reu-

ter reports. The bank gave no details of the size of the stake or the terms of the deal, but Mr Alain Boscher, brokerage chairman, add the BNP stake would be 53 per cent. Boscher was one of Paris's five remaining independent brokerage houses.

■ Smiths Industries, hit by cuts in US and UK defence spending as well as industrial unrest affecting its dominant aerospace division neverthe-less achieved a 7 per cent increase in pre-tax profits in the year ended August 4, writes Clare Pearson.

Profits at the company, which also has medical systems and industrial divisions, rose from £112m (\$217m) to £120m, despite a fall in turn-over to £57am from £704.3m.

France to allow Hachette control over La Cinq

By William Dawkins in Paris

FRENCH broadcasting author-FRENCH broadcasting authorities have given clearance for Hachette, the publishing and media group, to take control of La Cinq, the loss-making private television channel.

The decision, by the Conseil Superieur de l'Audiovisuel,

brings to an end an 18-month battle for control of La Cinq, which has suffered from the nlunge in advertising revenues and poor quality that has plagued most of the French television industry. Hachette will now take 25

per cent of La Cinq's capital, the maximum allowed under French law, though it can also count on the support of a con-sortium of friendly banks, with just more than 20 per cent. Mr Robert Hersant, propri-

etor of the right wing newspa-per, Le Figaro, is surrendering control because he is unable to sustain his share of losses totalling FFr2.5bm (\$476m) since he took over in 1987. He will reduce his 25 per cent stake to 10 per cent and hand over chairmanship of the chan-nel to Mr Jean-Luc Lagardère, chairman of Hachette.

This is a personal victory for the Hachette chairman, who has been seeking control of a television channel since he narrowly falled to get the fran-chise for TF1, the most suc-cessful private channel, on its private chains, of his private sation in 1987. He believes I.a. Cinq can be made to break even by 1994.

The CSA's ruling also goes against the advice of at least two government ministers who

warned that France has one too many general interest tele-vision stations. Only two of the country's six main channels are profitable. La Cinq's competitors have also lobbied hard to have the channel closed or relaunched with a much reduced franchise.

However, in a gesture to the

However, in a gesture to the French television industry's problems, the CSA has asked Hachetta to explore areas of co-operation between La Cinq and M6, a smaller private channel which is also losing money. Hachetta, reported a Ffr29hm turnover last year, of which 6 per cent was concentrated on broadcasting and film production.

French take control of Italian machine tool maker

By William Dawkine in Paris

NUM of France, Europe's second largest producer of numerical controls for machine tools, has taken control of Ser-

tools, has taken control of Servomac, the leading Italian maker of machine tool motors. The acquisition, for an undisclosed sum, gives the French group better integration across all stages of machine tool production when its Lucases competition are its Japanese competitors are increasing their European manufacturing activities. It comes in the wake of a

European Commission study warning that Europe's machine tool makers, typically small companies, face a grow-ing competitive threat from larger Japanese suppliers, able to resp economies of scale in research and development, marketing and production. Num, a subsidiary of the Schneider electrical angineer-ing group, last year had sales of FFr482m (\$22m) - 25 per cent more than in 1988 - on which it made a FFr38m net profit. Servomac has a FFr100m annual turnover and 125 staff. This is the French

group's first significant take-over since its acquisition nine years ago of Guitinger, Swit-zerland's main producer of numerical controls. Num is fourth in the world market and the largest inde-pendent survivor in a French machine tool industry where German and Japanese compa-nies have merged with or taken over most big players, including Ernault-Somus, part of Toyods, and Premcam, part of Amada of Japan.

SKF down by 24% to SKr435m in third quarter

By Robert Taylor in Stockholm

SKF, the world's leading rolling bearings manufacturer, yesterday reported a fall of 24 per cent in third-quarter prof-its (after financial items) to SKr435m (\$75m) compared with the same period of 1989.

Mr Mauritz Sahlin, manag-ing director, said the deteriora-tion was due to falling demand made worse by "the tense situ-ation in the Middle East". The setback brings an end to The senack names an end in a period of improvement that began more than two years ago. As a result income (after financial items) was little changed for the first nine months of 1990 at SKr1.78bm

compared with SKrt.79bn. Nine-month sales rose 14 per cent to SKr21.1m with nearly half the improvement due to SKF's acquisition last March of Chicago Rawhide, the US maker of finid sealing devices for automotive and machinery

applications. The company forecast con-tinuing weakened demand for the rest of 1990, with ensuing

As a result group profits for the fourth quarter will be lower than the SKr684m (after financial items) in the 1989

period.

Mr Sahlin said SKF's 1990
profits would be less than the
SKr2.46bn achieved last year. The company is having to cut production as a result of falling demand.

Profits in rolling bearings. which account for about three quarters of SKF's sales, rose alightly to SKr1.49hn during the first nine months from SKr1.44bn a year earlier while sales increased by 8 per cent to SKr16.82bn.

SKr16.82hm.
But profits in the tools division fell to SKr69m from SKr94m over the January-September period. SKF blamed "the sharp decline in the Brazilian market" but added that "a slight recovery can now be seen" in that market.

There was a 17 per cent

There was a 17 per cent improvement in sales in the group's component systems area to SKr2.82hn but profit for the first nine months remained little changed at SKr245m against SKr245m.



AFLOAT in the City. Mr Erik Tonseth (left), president and chief executive of Rvaerner, in London yesterday for the announcement that the Norwegian mechanical engineering, ship-building and offshore contracting concern was applying for a listing of its "free", or unrestricted A and B, shares on London's International Stock Exchange, writes Andrew Bexter.

Mr Tonseth is pictured with Mr Steinar

Draegebo, managing director of Kvaerner Govan Shipyard (centre), and Mr Jan

Magne Heggelund, group finance director.
The free shares are open to non-Norwegians, but the B shares do not have voting rights. Mr
Touseth said about 20 per cent of Kvaerner's shares were held in the UK.

The company, Norway's largest employer in the UK following its 1988 takeover of the Govan shippard on the Clyde, is listing its shares to increase its international exposure. The listing is being sponsored by Enskilda Securities.

Worms warns Suez strategy may include the sale of assets

MR GERARD WORMS, the new chairman of Compagnie de Suez, yesterday spelt out his strategy for the French finan-cial conglomerate for the first time since taking office 10 days ago after a protracted succes-tion buttle.

Announcing group net profits in the first half of this year estimated at FF12.7hm (\$514m), Mr Worms warned that Sues would have to tighten manage-ment of several subsidiaries and was likely to dispose of

Net profits were 42 per cent Net profits were 42 per cent higher than in the same period of 1989, thanks largely to a gain on the resale of shares in Victoire, the French insurance company of which Suez took control last year. In what he described as his "profession of faith", Mr Worms laid out his hopes of reconciling the interests of Suer's estimated 800,000 small

Suez's estimated 800,000 small shareholders with those of the managers of the group's operating subsidiaries, and with those of institutions with large minority stakes in these subsidiaries. Subsidiaries include Victoire and Société Générale de Polescon (o. Cénérale) the de Belgique (La Générale), the Belgian industrial holding

company, The new chairman made it

plain that Suez intended to remain the majority shareholder in Victoire, despite the scarcely concealed desires of Union des Assurances de Paris, participations one of Suez's largest direct shareholders with 6.5 per cent The estimated net consoliand the largest minority share-holder in Victoire with an

interest of 34 per cent, to increase its influence. He also said Suez would remain in control of La Générale, denying reports that the company's Belgian minority shareholders wanted to regain control, and that there were no plans for reducing Suez's 100 per cent ownership of Banque Indosuez, its main merchant

banking subsidiary.

It remains clear, however, that the management tensions, particularly at Victoire and La Générale, have not been

Mr Patrick Ponsoile, Suer's new operating officer, said the company's unconsolidated pre-tax profits had more than dou-bled to FFr2.85bn in the first half. This included FFr2.0bn of capital gains, comprising mainly a gain of FF1.34km on the replacing of some of Suez's stake in Victoire.

He said the company had, however, been unable to pro-duce consolidated figures

because of delays in the re-treatment of results from some of its subsidiaries and doubts over the exact level of minority

dated profit of FFr2.7bn would have been FFr300m higher but for a change in the accounting treatment of deferred tax liabil-ities, and is expected to be finalised in the second week of All Suez's main operating

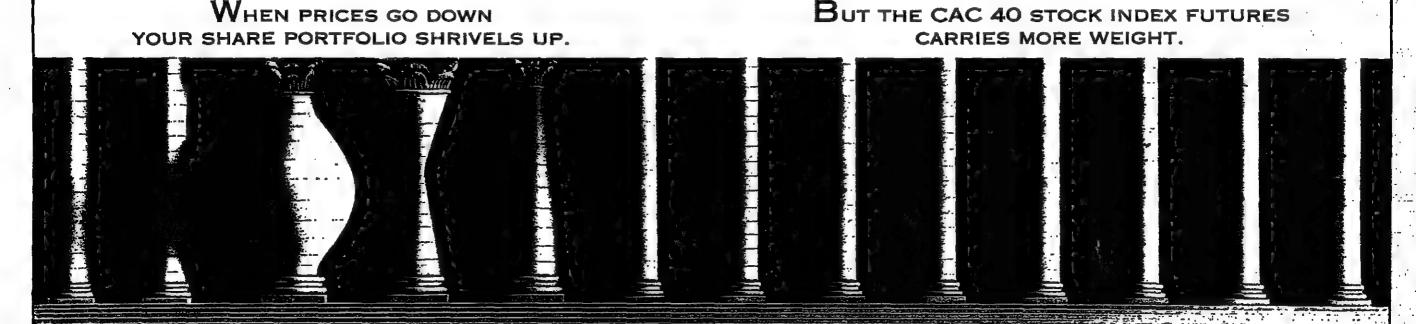
subsidiaries — Indosuez, Vic-toire and especially La Génér-als — have announced weak profits in the first half and a poor outlook for the second. Mr Ponsolle said, however that Suez had only FFr800m of debt, and FFr2.3bn of liquid investments, and had no need to tap the market for cash in the next 18 months. He warned, however, that it

was not possible to extrapolate the first half's results for the whole of 1990, because of the large number of exceptional items and because of the likely need to make provisions on some of Specie acquire to have some of Spez's equity stakes. A decline in earnings per share could not be ruled out, he said. The group would have to adopt a "rigorous management of its assets", Mr Ponsolle said.

Lex., Page 28

It was committed to entering the market and would continue talks with potential partners.

ng money.



TODAY, MORE THAN EVER. STOCKS MARKETS ARE VOLA-TILE. MATTIF SA HAS CREA-TED THE CAC 40 PUTURES CONTRACT TO PROTECT YOU AGAINST POTENTIAL

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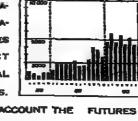
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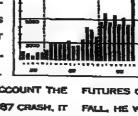
FAITHFULLY REFLECTS THAT OF THE STOCK EXCHANGE AS A WHOLE, IT WORKS VERY SIMPLY: A PORTFOLIO MANA-GER FEARING A FALL IN TO SELL THE CAC 40

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INTERNATIONAL COMPANIES AND FINANCE

S African gold producers feel the pinch

As costs per ounce exceed the metal price, remedies must be found, writes Philip Gawith

suppliers would have to revise traditional ways of doing bosi-

ness if their survival was to be

director of Gengold, recently noted that in the 18 months to

Mr Gary Maude, managing

"In our position you have to generate as much money as possible, even if it means growing vegetables and selling popcorn and peanuts. That's the situation we're in."

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The Secret Ships

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ou would not think it, but Mr Alan Field, a Consulting engineer in Gengold, the goldmining subsidiary of the South African Gencor group, was referring to the parlous imancial condition of the marginal Stilfontein gold

Stilfoniein, situated in the western Transvael near Potch-efstroom and managed by Gen-gold, is not alone in its woes. Mr Rob Gillan, an analyst at Frankel Kruger, the South African stockhroking firm, esti-mates that 23 mines producing approximately 21 per cent of South Africa's annual gold production have production costs per ounce in excess of the current gold price of \$373 an ounce. If capital expenditure is taken into account the figures

Mr Clem Sunter, chairman of Anglo American's gold and uranium division, stressed last week that the industry's profit margins had been very seri-ously squeezed in the past six months. The reasons, by now, are familiar. The gold price in 1986, Mr Sunter observed, averaged about R27,000/kg. CurR30,000/kg. Over this same period, he said, the price of stores had risen by between 60 and 100 per cent and wages had increased by about 100 per

The problems of a low gold price used to be alleviated by a deterioration in the value of the currency, the rand, so that gold revenues held up. Over the course of the past year, however, this pattern has

Dr Chris Stals, governor of the Reserve Bank, the coun-try's central bank, has made it very clear that he will defend the value of the rand. Although the rand has slipped

the end of June, Gengold had shifted from producing 87 tons of gold a year with 94,000 workers to producing 84 tons of gold with 71,000 workers. Stilfontein is a prime exam-ple of a mine which has had to undergo drastic surgery to have a hope of survival. Work-ing costs, which were R38m (\$15m) in the June quarter, will have to be cut to R33m, says

if you want to do something tomorrow". Another difficult balance to be struck relates to development. Costs must be cut, but if no development is done then there will eventually be nothing to mine. You cru-

cify yourself if you don't develop," says Mr Louw. Accordingly, Stilfontain's directors authorised recently that R5m be spent on develop-ing the Ventersdorp Contact Reef (VCR) to establish further LESSEL AGE

A significant managerial task is deciding what permuta-tion of mining options to pur-sue to maximise revenue. The

A significant managerial task is deciding what permutation of mining options to pursue in order to maximise revenue

badly against most major cur-rencies during 1990, it has shed less than 1 per cent of its value against the dollar, the unit in which most gold sales are denominated, since the end of

Thus gold producers have lost their buffer against a weak gold price. In these straitened circumstances, drastic remedies are required. Mr Sunter spoke of the need to "transform the gold mining relationship", suggesting that major stakeholders such as employmevitably play a major part in this process. The workforce, currently about 3,000, has shrunk by 1,000 in less than four months and it is anticipated that a further 500 jobs will have to go. "We are looking at everybody who is not producing kilograms of gold — that is the bottom line," says Mr Field.

This, however, is only part of the story. Retrenchment costs money and there is also the problem, says Mr Johan Louw, the mine's general manager, that "you don't retrench today

VCR, and reserves of surface dump tonnage which can be Its weaknesses are that its

higher grade Vaal Reef reserves are virtually exhausted and mining Vaal Reef pillars (areas previously mined and later ahandoned) is expensive. The total mining cost of Vaal Reef is R423 per sq m compared with R315 per sq m for VCR. While the development of VCR will continue, Mr Louw says at a gold price of R29,000/ kg, as opposed to R34,000/kg, opening up the Vaal Reef pll-lars looks more attractive, so the mine is stepping up activity to the same as the same at ity in this regard.

Increased dump tonnage is also being processed as, at a cost of R23,500/kg gold produced, it is a profitable operation, even if gold yields are only a fraction of those from underground.

A big problem the mine faces

the result of a large water content which requires that 58m litres of water be pumped out of the mine each day. The pumping bill alone is more than Rupheneth 28 meant of the than Rim/month, 38 per cent of the mine's power bill, and the state has been approached to offer assistance. The Marais Commission, which recently investigated state aid to marginal mines, recommended that this should only be considered where, ultimately, the mine was likely to become self-

In the end the challenge is how to cut costs while maintaining or increasing gold production. Without the latter there is no way of paying overheads. Management remain resolutely optimistic. Perhaps optimism is the only

answer to an alternative too ghastly to contemplate. It remains, though, a considerable achievement amid adver-

third quarter of 1990 stood at \$19.6m, a decline from \$56.1m in the year-ago period.

The downfall in the third quarter was due mainly to reduced deliveries, the com-

> PT Unggui Indah, Indonesia's only maker of the deter-gent ingredient alkylbenzens, said net profits for the nine months to September 30 1990 rose 80.73 per cent to 30,334m rupiah from Rp16,784m in 1989,

NEWS IN BRIEF

Profits rise

FUJI Electric, a leading

Japanese electric machinery

maker which is part of the Furukawa industrial machin-

ery group, yesterday reported a

12.7 per cent rise in unconsoli-dated pre-tax profit for the first

half to September, to Y10.72bn (\$8.36bn) from Y9.51bn in the year-earlier half, AP-DJ reports

from Tokyo. Sales rose 13.7 per cent to

Y276.5bn from Y243.3bn. Operating profit jumped 32.9 per cent to Y14.6bn from Y11bn

while net income rose 16.8 per

cent to Y6.5bn or Y9.18 per

■ PT International Nickel Indonesia, a subsidiary of Inco of Canada, the world's largest

nickel producer, said yesterday that its net earnings for the

first nine months of this year fell to \$61.3m, a decrease from

\$145m for the same period last

year, AP-DJ reports from Jak-

"The decline was due mainly to lower nickel prices, the impact of which was partially

offset by increased deliveries of nickel in matte," PT Inco said. The average realised prices

during the period were \$3.10 per lh against \$5.21 in 1989. It said net earnings for the

share, from Y5.6bn or Y7.88.

at Fuji

Electric

Reuter reports from Jakarta. The company said earning per share on the unaudited accounts rose 54.36 per cent to Rp450 on the basis of 66m shares after a 10 per cent bonus issue from Rp298 on 56.4m shares before the company went public.

Pasminco, the Australian base metals producer, expects profits for the year to June 30 1991 to be lower than the \$153.7m net profit for the 1969/ 90 year, Reuter reports from Sydney.



The Kingdom of Belgium

US\$200.000.000 Floating rate notes due October 1994

in accordance with the provisions of the notes, notice is hereby given that for the interest period from 26 October 1990 to 26 April 1991 the rate of interest on the notes will be 81/11% per annum.

The interest payable on the relevant interest paymen date, 26 April 1991 will be US\$10,190.10 per US\$250,000

Agent: Morgan Guaranty Trust Company

Hachijuni Asia Limited

US\$ 25,000,000 Dual Basis Bonds due 2000

In accordance with the Terms and Conditions of the Bonds, notice is hereby given that for the second Interest Period from October 23, 1990 to April 23, 1991, the Bonds will carry an interest rate of 8 % % per annum. The interest amount payable on the relevant interest payment date, April 23, 1991, will be US\$ 4,360.42 per US\$ 100,000 denomination.

The Agent Bank



KREDIETBANK S.A. LUXEMBOURGEOISE

ANZBank

Australia and New Zealand Banking Group Limited (Incorporated with limited liability in the State of Victoria)

U.S. \$250,000,000

Subordinated Floating Rate Notes due 2000 of which U.S. \$140,000,000 is being issued as the Initial Tranche and U.S. \$70,000,000 is being issued as the Second Tranche

Notice is hereby given that for the Interest Period 24th October, 1990 to 24th April, 1991 the Notes will carry a Rate of Interest of 8% per cent, per annum with an Amount of Interest of U.S. \$4,392.01 per U.S. \$100,000 Note. The relevant Interest Psyment Date will be 24th April, 1991.

Bankers Trust Company, London

Agent Bank

Kumpulan Guthrie plans to become property group

By Lim Siong Hoon in Kuala Lumpur

KUMPULAN Guthrie, Malaysia's largest plantation group, proposes to diversify from rubber and palm oil into property development by reconstructing the vast land holdings held by its various subsidiaries.

This will result in the crection of one of the country's largest property groups, Guth-rie Properties Development

The centre-piece of its pro-posal is five pieces of planta-tion land owned by Highlands and Lowlands, Guthrie's 51 per cent-owned subsidiary publicly quoted on the Kuala Lumpur

NEW ISSUE

Singapore Air SINGAPORE Airlines, the

fer the land, valued at M\$440.1m (US\$163m), to its own property development Guthrie then plans to acquire a 51 per cent stake in the unit through the sale of

subsidiaries to Highlands and Lowlands.

The M\$390.1m sale will be by M\$110.2m in cash and the balance in equity, which subsequently will be transferred to Guthrie Properties.

Guthrie Properties will also the rit two more pieces of the contract two more pieces of

rose 34.4 per cent to S\$610.3m three of its plantation subsidiaries to Highlands and

These securities having been sold, this announcement appears as a matter of record only.

UNITIKA LTD.

Osaka, Japan

DM 75,000,000

51/8 % Bonds of 1990/1994 with Warrants

to subscribe for shares of Common Stock of Unitika Ltd.

unconditionally and irrevocably guaranteed by

The Sanwa Bank, Limited

Osaka, Japan

ISSUE PRICE: 100%

inherit two more pieces of plantation land from other subsidiaries of its parent for M\$18.2m. This brings the total worth of the reconstruction scheme to M\$357.7m.

Slip expected for

national carrier, hit by surging fuel costs and declining traffic growth, is likely to unveil lower half-year profit growth Sunday, analysts predict, Reuter reports from Singapore. The group's half-year net profit ended September 30 1989,

(Usasson).

But analysts predict the air-line's nat profit will grow at between 10 and 16 per cent in the year ended March 1991.

Mr Cheong Choong Kong, the strines managing director, told a business group meeting:
"While we would continue to make a handsome profit by anyone else's standards, it would not be easy to maintain our good performance of the

Standard Chartered to incorporate in Malaysia

STANDARD Chartered, one of the oldest offsbore banking groups in Malaysia, is to incor-porate its local banking operations in compliance with a banking law issued last Octo-The law, the Banking and

Financial Institutions Act,

requires offshore banks, 16 in all, to be incorporated in Mal-aysia by September 1994. Standard Chartered, second largest in terms of assets to the Hongkong and Shanghai Banking Corporation, is the only bank which, since the promul-gation of the law, has publicly announced its compliance,

Mr A.G. Rogers, the new chief manager, said that nego-tiations were continuing

October, 1990

between London and Bank Negara, the central bank, over details of the incorporation.

The apprehensions, expressed previously by bankers about the change, have been over the equity valuation, the size of the divestments, if any, and adoption of local partners that are acceptable to both the parents and the cen-

The Malaysian Ministry of Finance has previously acknowledged that the retention of 100 per cent foreign equity ownership is acceptable to it. But the banks would have none of the status given to domestic banks that permits diversification and expansion of branch networks.

REDEMPTION

NOTICE

Notice is hereby given that redeem all of its U.S.S2,172,000 9.5% Notes due December 31, 1993 (the "Notes"). The Notes will be redeemed on November 30, 1990 at a redemption price of 102% of the principal amount thereof, together with interest accruing to the date of redemption, at the office of Cititrust (Bahamas) Limited, the Paying Agent, in the Citibank Building, Thompson Boulevard, Nasof the redemption price of the Notes will be made upon presentation and surrender of the Notes to be redeemed together with all appurtenant coupons maturing subsconent to November 30. 1990 at the aforesaid office. Interest on the Notes will cease to accrue on or after November 30, 1990. All interest accrued to November 30, 1990 will be paid at after the aforesaid date upon presentation and surrender of the Notes.

CITTTRUST (BAHAMAS) LIMITED

IMMIGRATION TO CANADA

LOBRAL INC. (est. 1980) provides expert advice to individuals wishing to immigrate to Canada as investors and/or entrepreneurs

Our President will be in London to meet with clients November 10-14, 1990

During his stay he will be available to meet with parties interested in obtaining detailed information on our services. To arrange for an appointment please contact our head office:

LOBRAL INC.

1255 University Street, suite 1600 Montreal, Quebec, Canada H3B 3X3

Tel: (514) 874-0324 Fax: (514) 874-0329

NOTICE OF REDEMPTION

Gulf Oil Finance N.V.

104% Guaranteed Notes Due Dece

NOTICE IS HEREBY GIVEN that, pursuant to the Fiscal and Paying Agency Agreement dated as of December 1, 1982 among Gulf Oil Finance N.V. (the "Company"), Gulf Oil Corporation, (renamed Chevron U.S.A. Inc.), as Guarantor and Morgan Guaranty Trust Company of New York, as Fiscal Agent and Paying Agent, under which the Company issued its 104% Guaranteed Notes Due December 1, 1994 (the "Notes"), and the Notes, the Company has elected to and shall redeem on December 1, 1990 (the "Redemption Date") all \$100,000,000 principal amount of the outstanding Notes at a redemption price of 100½% of the principal amount thereof (the "Redemption Price"), being the amount of \$1,005 for each \$1,000 principal amount of Notes.

The Notes shall become due and psyable on the Redemption Date at the Redemption Price and shall be paid commencing December 3, 1990, the first business day after the Redemption Date, upon presentation and surrender of the Notes together with all coupons thereto appertaining maturing after the Redemption Date at the offices of the paying agents listed below. The coupons for interest due on or before December 1, 1990 should be detached and should be collected in the usual manner.

usual manner.

The Notes will no longer be outstanding after the Redemption Date and interest on the Notes will cease to accrue from and after the Redemption Date and the coupons for such interest shall be

wold.

Payment of the Redemption Price for each Note will be made at the offices of the Paying Agents set forth below, by United States dollar sheek drawn on a bank in New York City or by a transfer to a United States dollar account maintained by the payee with a bank in New York City. Any payment made either at the office of the paying agent in New York City or by a transfer to a United States dollar account maintained by the payee with a bank in New York City, unlike payments made at the offices of the paying agents outside the United States, may be subject to reporting to the United States Internal Revenue Service (the "IRS") and to backup withholding at a rate of 20% if payees not recognized as exempt recipients fall to provide the paying agent with an executed IRS Form W-8, certifying under penalty of perjury that the payee is not a United States person, or an executed IRS Form W-9, certifying under penalty of perjury the payee's taxpayer identification number (employer identification number or social security number, as appropriate). Under paragraph 2(e) of the Notes, the imposition of backup withholding in these circumstances does not obligate the Company to pay any additional amounts. Holders required to provide their correct taxpayer identification number on IRS Form W-9 who fail to do so may also be subject to a U.S. \$50 penalty. Notes being presented for payment at the paying agent in New York City or through a New York City bank account, should be accompanied by the appropriate certification.

Morgan Guaranty Trust Company of New York Corporate Trust Operations, 13th Floor 30 West Broadway New York, New York 10015

Morgan Guaranty Trust Company of New York Morgan House 1 Angel Court London EC2R 7AE

Morgan Guaranty Trust Company of New York Mainzer Landstrasse 46 6000 Frankfurt-am-Main 1 Germany

England

Morgan Guaranty Trust Company of New York 14, Place Vendoms 75001 Paris, France

Banque Internationale a Luxembourg S.A. 2 Boulevard Royal L-2953 Luxembourg

Swiss Bank Corporation Aeschenvorstadt No. 1 CH-1002 Basle, Switzerland

Morgan Guaranty Trust Company of New York Avenue des Arts 35 1040 Brussels, Belgium

By: MORGAN GUARANTY TRUST COMPANY OF NEW YORK, Fiscal Agent

Dated: October 25, 1990

KANSALLIS-OSAKE-PANKKI (Incorporated with Limited Liability in Finland) US DLRS 100,000,000

Subordinated Floating Rate Notes due July 1997 accordance with the terms and conditions of the Notes, we hereby give notice that the next interest date will be January 24, 1991.

- Annual interest rate for the period from Ocother 24, 1990 to January 24,

 Annual interest rate for the period from October 24, 1990 to January 2 1991 will be 8-7%.

Interest payable will be:

- USS 215.625 per USS 10,000 nominal principal amount for registered notes.

- USS 215.625 per coupon for USS 10,000 denomination bearer notes.

- USS 5,390.63 per coupon for USS 250,000 denomination bearer notes. BANQUE GENERALE DU LUXEMBOURG S.A.

NOTICE OF INTEREST RATE ... (To the knicers of)
BankAmerica Corporation Floating Rate
Subordinated Capital Hotes
Don Scholer 1999 CUSEP 965098 SG 9

Pursuant to the provisions of the Notes issued under the Indenture of BankAmerica Cor-poration dated as of June 15, 1984 as amended by the Second Supp of September 30, 1987, the rale for the period from October 24, 1990 up to and including lanuary 23, 1991 is 9.4375%. The amount of interest payable on January 24, 1991 is U.S. \$2,411.81 for each \$100,000 principal amount of the Notes. Magnifacturers Hanover October 22, 1980

THE REPUBLIC OF ARGENTINA **NEW MONEY BOND DUE 1999**

DAIWA EUROPE (DEUTSCHLAND) GMBH

NOMURA BANK (DEUTSCHLAND) GMBH

COMMERCIANE ARTHUGESELLSCHAFT

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KANKAKU (EUROPE) LTD.

MORGAN STANLEY GMBH

BAYERISCHE VEREINSBANK AKTIENGESELLSCHAFT

SCHWEIZERISCHER BANKVEREIN (DEUTSCHLAND) AG

WESTDEUTSCHE LANDESBANK GIROZENTRALE

INDUSTRIEBANK VON JAPAN (DEUTSCHLAND) AKTIKNGESELLSCHAFT

Notice is hereby given for the interest period beginning on October, 25th 1990, and ending on April, 25th 1991. The bond will carry an interest rate of 916% per annum. Banco Central De La Republica Argentina Republic of Argentina Financial Agent



DEUTSCHE BANK AKTIENGESELLSCHAFT

SANWA BANK (DEUTSCHLAND) AG

BHF-BANK

BAYRRISCHE LANDESBANK GIROZENTRALE

DRESDNER BANK AKTIENGESELLSCHAFT

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THE LONG-TERM CREDIT BANK OF JAPAN (DEUTSCHLAND) AKTIENGESELLSCHAFT

INTERNATIONAL COMPANIES AND FINANCE

Petroleum side bolsters Du Pont

By Karen Zagor in New York

DU PONT, the biggest US chemicals company, yesterday unveiled slightly lower thirdquarter net income with strong gains from the company's petroleum business helping to overcome the depressing effects of a weak US economy and continuing softness in the world chemical industry. At the same time, it has

increased its quarterly divi-dend from 40 to 42 cents a

In the three months to September 30, net income eased 3 per cent to \$533m from \$547m. Thanks to fewer shares outstanding and an extraordinary gain of 8 cents a share in the latest quarter, earnings-per-share were unchanged at 79

Sun Micro

vear's low

By Louise Kehos

in San Francisco

shares slip to

SUN Microsystems' share price

fell sharply yesterday to a 12-month low of \$15, down from \$20% on Tuesday when the company reported disappoint-ing first-quarter earnings after

the close of trading.
Concerns about the computer workstation manufactur-

orier workstation manufacturer's financial performance were compounded by the announcement yesterday by LSI Logic, a leading US semiconductor manufacturer, that it was selling chips designed to build "clones" of Sun workstations to more than 40 computer manufacturers.

Several Sun clones are expected to be introduced

at a computer trade show in

Las Vegas next month and they are expected to undercut Sun's workstation prices.

LSI Logic is licensed by Sun to produce the Sparc micropro-cessor that is at the heart of lin

most popular products. Sun has licensed Sparc to

several chip makers to try to establish the chip as a desktop computer standard to compete

with IRM-compatible personal

computers. Now, however, the workstation market leader appears likely to face stiff com-

The emergence of Sparc clones comes as Sun is strug-gling to control internal prob-

lems, which the company said delayed shipments for as long as four to five weeks during its

first fiscal quarter.

A combination of difficulties caused the sales delays, Sun

During the quarter, it estab-shed a new US distribution

centre and reorganised its US

In addition the company said

that shifting demand had

forced it to adjust component

ter jumped to \$26.1m, or 26 cents a share, from \$5.2m, or 7

cents last time.

Revenues for the first quar-

ter were \$677m, a 26 per cent increase over the \$538.5m reported in the same period a

Analysts had anticipated earnings of about 45 cents a share for the quarter.

Net income for the first quar-

sales force.

deliveries.

cents. Sales in the quarter advanced 16 per cent to \$9.9bn from \$8.6bn.

For the first nine months, net income amounted to cent from \$20n or \$2.82 a year earlier. Sales increased by 9 per cent to \$28.98bn from \$26.54bn. \$1.84bn or \$2.71, down 8 per

Mr Edgar Wollard, chairman, said results from the petroleum business benefited from higher crude oil prices, "which will provide a hedge to rising feed-stock costs in our chemical operations. At the same time, earnings in several of our chemical businesses continued to be adversely affected by the slowdown in the US economy."

Du Pont's modest falls are in

AVON PRODUCTS, the world's

higgest manufacturer of cos-metics and tolletries, yesterday reported strong third-quarter earnings on modestly higher

sales.

Net income was \$44.6m or 59 cents a fully-diluted share, more than 28 per cent above the \$34.6m or 46 cents reported in 1989. Sales rose 6 per cent in the quarter to \$830.8m from \$785.1m

The results were at the high

end of analysts' expectations and shares in Avon added \$% to \$24% by mid-day yesterday. Avon's income before taxes and minority interest rose 18 per cent in the quarter to \$79.8m from \$67.8m.

For the first nine months of 1990 pet income advanced 34

1990, net income advanced 34 per cent to \$107.3m from

By Nikki Tait in New York

CONTINENTAL Airlines, the

US carrier, said yesterday that, having studied possible options after fuel price jumps, easet sales may be on the cards.

But it denied that it planned

to seek protection from its creditors under Chapter 11 of

the bankruptcy code.

However, it declined to say what assets might go up for sale, or whether these would include any of the company's

routes.
The shrine, in which Scandanavian Airlines System now has an 18.4 per cent holding,

COMPAQ Computer, the US personal computer manufac-

turer, reported a strong third quarter, easing widespread concerns about a slowdown in

the US market for its comput-

Net income for the quarter

was \$124m or \$1.88 a share, a 42 per cent gain on 1999's corresponding \$87m or \$1.01. Sales

rose 26 per cent to \$863m, from \$689m in the same period last

income in the latest quarter was boosted by 20 cents per share by a gain from the

By Louise Kehoe

\$785.1m.

sharp contrast to Dow Chemical and Union Carbide, whose third-quarter earnings fell by 52 and 35 per cent respectively, largely because of their large exposures to the volatile commodity chemical business and higher costs for raw materials due to the Gulf crisis.

Monsanto, another large US chemical company, has postponed releasing its third-quar-ter results from Tuesday until tomorrow, prompting specula-tion that it may announce a significant restructuring and After-tax operating income

from Du Pont's petroleum busi-ness surged to \$273m in the

latest quarter, excluding one-time items, from \$98m. Du

\$80.3m a year ago. Primary earnings per share jumped 46 per cent to \$1.43 from 97 cents

on sales which grew 3 per cent to \$2.33hn from \$2.27hn.

Pre-tax earnings from US operations grew 11 per cent on essentially flat sales while pre-

tax profits from Avon Interna-tional jumped 22 per cent on a similar increase in sales. Mr James Preston, chairman and chief executive, said: "Our

strong third quarter reflects continued profit improvements in the Americas, continued reduction in interest expenses and a lower tax rate. We expect 1990 to be another excellent

year for Avon, both in terms of

earnings increases and of fur-ther strengthening of the bal-

Continental Air may sell assets

confirmed it had been "gramin-

ing prudent steps to take" in the light of fuel cost increases. There was a Continental board

meeting on Monday, and one US newspaper suggested that the Chapter 11 option was

worked on furiously over the

ment on this specifically, but said that Chapter 11 "is not one of the options today". Its shares, however, still alipped

\$1% to \$4% by midsession in New York.

increased value of Compaq's shareholdings in Conner

Peripherals, a disk drive manu-

Net income for the first nine

months of 1990 amounted to \$320m or \$3.62 a share, com-pared with \$254m or \$2.96 in

Sales were \$2.6bn, up from

"Excellent sales growth during this quarter can be attri-buted to continued European

strength and increased momentum in the North American market," said Mr Rod Canion,

Net income soars 42% at Compaq

encourer.

\$2.11m.

Standard & Poor's, the US

Continental did not com-

Avon, which came under

Sharp rise at Avon Products

operations plunged to \$72m from \$180m, reflecting lower volume and a decline in prices, while the coal business slipped

Du Pont's other major busi-ness segments reported flat or lower operating income in the quarter. Earnings from its polymer operations were unchanged at \$107m, excluding a one-time gain in the latest quarter. Profits from fibres

Pont attributed the improve-

ment to strong European

refined product margins and

higher worldwide crude oil

to \$39m from \$41m because of higher costs and slightly softer prices. The industrial products segment saw earnings drop 30 per cent to \$108m.

sharp criticism from investors last year for not fully realising shareholder value, has made great strides in improving its

earnings in spite of less

impressive sales growth.
According to analysts at
Oppenheimer in New York,

Avon is well positioned to weather a recession, since

direct-celling businesses tend to be recession resistant.

to be recession resistant. Mr Preston said Avon is negotiating to sell about half of its 60 per cent stake in a Japanese subsidiary and should know within a few weeks if it will be able to complete a sale this year. Earlier this year, Avon had arranged to sell its holding in Avon-Japan for \$450m in cash and royalties, but the deal fell through in Anril.

rating agency, announced yes-terday that it was downgrading the rating on the holding com-pany's \$379m of senior debt, to triple C from single-B-minus. Debt ratings on some of the Continental Airlines subsid-iers's senior and subordinated

iary's senior and subordinated debt were also downgraded.

debt were also downgraded.

S&F said Continental's operating performance had improved relative to the rest of the industry, but that higher fuel prices and sluggish demand would more than offset those positive trends over the near-term.

president and chief executive

Compaq's third-quarter unit shipments in North America

increased by 20 per cent over the same quarter last year, the

company said. Sales revenues were up 5 per cent. European and international

sales comprised 53 per cent of Compaq revenue during the quarter and grew by 54 per cent compared with the same period last year.

Compaq's share price rose compared with the same period last year.

sharply yesterday from a Tues-day close of \$43% to trade at

Squeezed margins hit Mobil and Shell Oil

By Martin Dickson and Alan Friedman in New York

TWO LEADING US oil companies, Mobil and Shell Oil, suffered substantial earnings drops in the third quar-

Both companies stressed Both companies stressed that, contrary to popular belief, they had not benefited from the invasion of Kuwait and the subsequent steep rise in the price of crude.

Rising profits upstream had been more than offset by squeezed margins down-stream, where the higher cost of products had been only par-tially reflected in price

Mobil said its earnings dropped 29 per cent to \$379m or 89 cents a share, on revenues up to \$16.3bn from \$13.4bm. It added that special items had lifted the third-quarter result by \$11m come \$41m ter result by \$11m, some \$41m

lower than a year ago. Excluding these factors, earnings were \$268m, down 29

Exploration and production carnings of \$380m were \$175m higher, but marketing and refining earnings were just \$5m, some \$361m lower, while chemicals produced \$85m,

down \$36m. Shell, the US subsidiary of the Anglo-Dutch company, reported a 33 per cent decline in earnings to \$227m on reve-

in earnings to \$227m on revenues up to \$6.2bn from \$5.4bn.
Exploration and production earnings were \$203m, up \$67m. But oil products earnings dropped \$83m to \$13m.
The company said its gasoline prices rose only 19 cents a gallon in the quarter, while average raw material crude oil costs rose by 39 cents.

McDonald's looks forward to 'good year' By Barbara Durr

McDONALD'S, the world's largest fast food chain, has reported third-quarter earnings per share of 67 cents, up 11.5 per cent from 25 cents per share in the year-ago quarter. Sales during the past quarter rose 9 per cent to \$4.9hm, from \$4.5bm a year earlier. Despite a weakening US economy, the company said it expected 1990 to be "another good year" with earnings in line with investor expectations.

Mr Edward Rensi, McDonald's president, said that while the company was not recession

slou-resistant".

For the nine months ending September 30, sales totalled \$13.9bu, an 8 per cent increase over last year's \$12.8bu. But domestic operating margins were under pressure, declining 'during the first nine months to 17.9 per cent from 18.1 per cent last year.

Slower growth in the domestic market has in part been

tic market has in part been offset by holding down expenses and controlling capi-tal expenditures. International sales continued to be strong.

Exxon's earnings hold steady in third quarter

By Martin Dickson in New York

EXXON, the world's largest oil company, yesterday reported unchanged third-quarter earn-ings, with higher upstream profits from the summer's sharp rise in crude prices being exactly offset by lower margins in its downstream operations.
Other large US oil compa-

nies, anxious to dispel the pop-ular belief that they have profited greatly from the Gulf crisis, have reported similar pressures and very mixed results, depending on the rela-tive importance of upstream and downstream operations to their husinesses

Exxon said third-quarter net income was \$1.07bn or 85 cents a share, the same as in the third quarter of 1989, although

revenues rose to \$29.02bu from

rising costs of raw materials during the period. Consequently, the additional income from higher crude prices was offset by lower earnings in refining, marketing and chemical operations." He added that in the two

He added that in the two months following the start of the Middle East crisis, refining and marketing in the US had operated at a loss.

Third-quarter earnings from exploration and production totalled \$930m, up \$267m from a year ago, mainly because of a \$6.30 a barrel rise in the worldwide realised price of crude. US earnings were up \$161m and foreign earnings up \$106m.

Refining and marketing earned \$246m, down \$101m

chairman, said: "Prices for petroloum and chemical products did not keep pace with rising costs of raw materials from a year ago, on a 2 per cent rise in sales volume. The US accounted for \$70m of the decline, and the drop in profits would have been even greater if it were not for a \$96m gain on foreign asset sales, up from

Chemicals produced earnings of \$65m, down \$185m from 1989. The company said that while demand remained strong, increased industry capacity and higher raw material costs had compressed margins. Sales were up 3 per cent.
For the first nine months,
net income was \$3.45hn or \$2.73
a share. Excluding provisions
relating to the Exxon Valdes
tanker disaster in Alaska and a gain from a new accounting standard, earnings for the first nine months of last year were \$3.37hn, or \$2.64 a share.

Mr Lawrence Rawl, the Sears, Roebuck down by 30%

By Barbara Durr in New York

SEARS, Roebuck, the world's largest retailer, yesterday reported a 30 per cent fall in earnings in the third quarter, with net income declining to \$179.2m or 53 cents a share, from \$257m or 75 cents a year

ago.
Group revenues for the quarter ended September 30 rose 5.9 per cent to \$13.96bn from \$13.18bn last year.
The major factor behind the sharp decline was the significantly lower sales of property by the Coldwell Banker Real Estate Group, which posted income of just \$1.8m, against \$61.2m. The fall, which knocked 20 cents off per-ahare earnings, was attributed to the

soft US real estate market. The company's Alistate Insurance Group also reported a sharp fall, stemming largely from continued claims from catastrophs losses. Alistate's income for the latest quarter fell to \$108m on revenues of \$22.5bm from \$128.1m on revemes of \$22.1bn last year.
In Sears' core retailing business, the Merchandise Group reported income of \$39.2m, up from \$82.9m a year ago. Revenues increased to \$7.89bn, against \$7.59bn last year.
Mr Edward Breman, Sears chairman, who recently took

chairman, who recently took direct control of the Merchandise Group, said the performance of several retailing seg\$57.2m from \$35.7m. Sears' Discover Card operations were also up, with income of \$29.5m compared with \$23.3m in 1969.
Sears' nine-month net income fell 42 per cant to \$523.4m or \$1.58, compared with \$905.4m or \$2.56 a share last trans. last year.
Discontinued operations con-

ments was encouraging, although catalogue sales, home fashions and children's and

men's apparel were sluggish.

Dean Witter Financial Services Group lifted income to
\$57.2m from \$35.7m. Sears' Dis-

tributed net income of \$10.5m compared with \$62.7m last time. Revenues in the first three quarters rose 4.7 per cent to \$40.4bm from \$38.6bm in 1889.

Mine closure hurts Cominco

By Bernard Simon in Toronto

COMINCO, the Canadian metals and fertiliser producer, saw earnings plunge 66 per cent in the third quarter largely due to the closure of the Pine Point lead and zinc mine in the Northwest Territo-ries and an operating loss at its big smelter at Trail, British

Net income dropped to C\$11.6m (US\$10m) or 13 cents a share, from C\$34.2m or 42 cents a year earlier. Sales rose alightly to C\$35m. The figures include a C\$6m charge for interest paid on loans for the Red Dog zinc mine in Alaska, which recently began commer-

sion returned to a C\$2.4m profit from a loss of C\$2.1m, largely because of higher vol-

Cominco said C\$30.5m of the drop in mining income was due to the closure of Pine Point, in which it has a 50.1 per cent interest. Open-pit mining at Pine Point cessed in 1986 but substantial concentrate sales took place from stockpiles last

The Trail facility has suf-fered a series of setbacks, including the shutdown of a brand new lead smelter and lower zinc output stemming from modifications to the zinc

smalter is operating at about 80 per cent of former capacity. Output of concentrate at Red. Dog, the world's biggest zinc mins, resched 90 per cent of planned levels in the third quarter. The final shipment of con-

centrate for the 1990 ahipping season left the mine at the beginning of October, bringing the total for the year to \$20,000

Cominco said that the long-delayed Snip gold mine in north-west British Columbia was due to start production next January.

cial operations.

Operating profit from mining
and metals fell to C\$44.1m from
C\$89.8m, but the fertiliser divi
March. Meanwhile, the old

Earnings for the first nine
months slipped to C\$51.9m or
62 cents from C\$175.5m or
C\$2.18 for the period last year. Rarnings for the first nine

Surge in oil price gives Nova a boost

THE GULF crisis has given a badly-needed fillip to Nova Corp, the Calgary-based petrochemicals producer which has been selling assets to lighten a heavy debt burden, writes Ber-

In contrast to a disappoint-ing performance earlier this year, Nova's third-quarter earnings jumped to C\$42m (US\$36m) or 12 cents a share

ings, at C\$134m, are still well

below last year's C\$212m.
Following the recently-completed sale of the prized rubber division to the German chemicals group Bayer, long-term debt shrank to C\$550m on September 20 tember 30 from more than Cashn three months earlier.

Nove said it would record a small gain on the C\$1.25bn sale in the fourth quarter.

The rocketing oil price helped Nova's oil and gas interests, which include a 48 per cent stake in Husky Oil. Stronger selling prices and improved margins also boosted third-quarter earnings

Prudential Corporation plc

has sold

Compagnie d'Assurance de l'Escaut S.A.

AGF International

We acted as the financial adviser to Prudential Corporation plc.

Goldman Sachs International Limited

Goldman Sachs

September, 1990

Buffett builds Wells Fargo stake MR WARREN BUFFETT, the

st-known investor in the US and one of the most successful, has built a 9.8 per cent stake in Wells Fargo, the West Coast banking group, writes Martin

Mr Buffett has long been tegarded on Wall Street as the nearest thing to a stock-pick-ing genius, although of late

some of his investment decisions have provoked criticism. The bank said it did not know how long Mr Buffett had been an investor. Any stake of more than 5 per cent has to be publicly announced and Mr Buffett's holding came to light through a routine filing with the Securities and Exchange

ALLIANCE LEICESTER

Alliance & Leicester **Building Society**

£200,000,000 Floating Rate Notes 1993

Notice of Early Redemption

On behalf of the Issuer, S.G. Warburg & Co. Ltd. hereby gives notice to the holders of the above-mentioned Noves ther in accordance with Condition 6(b) of the Notes the Issuer will redeem all of the Notes then outstanding on 30th November, 1990 (the "Redemption Date"). The Notes will be redeemed at their principal amount on the Redemption Date in accordance with the scome and conditions set our on the back of the Notes.

Payments of principal will be usade on or after the Redemption Date at the specified office of any of the Paying Agents listed below against surrender of the Notes together with all unmatured Coupons. Coupon No. 19 maturing on 30th November, 1999 should be presented for payment in the usual manner in respect of the interest payment due on that day but otherwise interest will cease to accrue on the Notes from the Redemption Date. Unmatured Coupons shall become void and no payment shall be made in respect thereof.

Notes and manned Coupons, will become void unless presented for payment in the case of Notes, within a period of ten years from the edemption Date, and, in the case of manned Coupons, within a period of five years from the fine due date for payment thereof.

Principal Paying Agent S.G. Warburg & Co. Ltd. 2 Finsbury Avenue London EC2M 2PA

nkS.A. Lucend 43 Boulevard Royal

Swim Bank Corporation
Acachenvorstadt 1 CH-4002 Basic

25th October, 1990 <u>|</u>

Société Nationale des Chemins de Fer Belges (S.N.C.B.) **(B)**

Nationale Maatschappil der Beigische Spoorwegen (N.M.B.S.) US\$ 75,000,000 Floating Rate Notes due 1991 guaranteed by The Kingdom of Belgium

(of which US\$ 50,000,000 have been issued as an Initial Tranche)

In accordance with the provisions of the Note notice is hereby given that for the last interest period from October 25, 1990 to January 25, 1991 the Notes will carry an interest rate of 84%% p.a.

The interest payable on the relevant interest payment date, January 25; 1991 against coupon n°20 will be US\$ 2,092.36 per Note of US\$ 100,000 nominal and US\$ 5,230.90 per note of US\$ 250,000 nominal. per note of US\$ 250,000 non



NOTICE TO THE WARRANTHOLDERS OF UNITIKA LTD.

U.S.\$300,000,000 4 per cent. Guaranteed Bonds Due 1993 With Warrants to Subscribe for Shares of Common Stock

Pursuant to Clause 3(ziii) of the instrument dated 27th July, 1989 (the "lastrument") relating to the above-captioned warrants (the "Warrants"), notice is hereby given as follows:

in accordance with the resolutions of the Board of Directors of Unitika Ltd. (the "Company") adopted at the meerings held on 9th October and 16th October, 1990, the Company issued DM75,000,000 5¼ per cent. Boards 1990/1994 with warrants to subscribe for shares of common stock of the Company on 25th October, 1990 at the initial subscription price of 4477 per share. As a result of the above issue, the Subscription Price (as defined in the Instrument) has been adjusted pursuant to Clause 3(vii) of the Instrument as set forth below:

Subscription Price before adjustment: Subscription Price after adjustment: Effective date of adjustment:

UNITIKA LTD. By: The Toyo Trust and Banking Company, Limited as Principal Paying Agent

Yen 801 Yen 798.90 26th October, 1990, Japan time

DOLLAR Where Next?





25th October, 1998

INTERNATIONAL CAPITAL MARKETS

Mixed signals on Gulf leave trading in limbo

By Deborah Hargreaves in London and Karen Zagor in New York

THE WORLD'S major government bond markets were in a state of limbo yesterday after conflicting signals from the Middle East failed to give any clear sign of a resolugovernment bond markets were in a state of limbo yester-day after conflicting signals from the Middle East failed to give any clear sign of a resolution to the crisis.

Many investors are begin-ning to believe that their earlier optimism over the drop in oil prices came too soon.

■ IN JAPAN, the Ministry of Finance put Y700hn of govern-ment debt up for sale with its

GOVERNMENT BONDS

new issue of 10-year bonds which carry a coupon of 7.2 per cent. The auction came against a background of falling prices which dealers believe will make the new bond more

attractive. However, there is unlikely to be a rush for the bonds - the results of the auction will be announced this morning since the new bonds will not form a benchmark issue as the market had been hoping. The yield on the 119 bond edged upwards to 7.82 per cent as prices fell in an unevential day

of trading.

The price of the December futures contract fell to 91.07 from Tuesday's close of 91.50 as dealers hedged their purchases of new bonds.

■ US Treasuries drifted higher during the afternoon on short-covering after losing ground in the morning as the bond mar-

In late trading, the Treasury's bellwether 30-year bond was up is at 99 is yielding 8.77 per cent, after slipping about is at mid-session. The one-year issue was is higher for a yield of 7.8 per cent.

The Federal Reserve did not intervene in the open market and Fed funds, the rate at which banks lend to each other, were changing hands at

other, were changing hands at

7% per cent.
The bond market is becom-The boton market is becoming increasingly nervous about
the growing amount of supply
it will have to digest once a
budget is in place. Yesterday
the Treasury postponed the
two-year auction, after cancelling the three-month, six-

month and one-year auctions.

Thanks to the budget flasco and the lack of debt-limit legislation, the Treasury has not been able to auction more than \$61bn in short-term issues.
Once the budget is passed, there will be a flood of supply. Furthermore, the Treasury is due to announce the terms of its quarterly refunding auction

There was little reaction to the durable goods orders data for September, which fell 1.7 per cent. Although the decline was larger than expected, it

transportation orders.
The bond market also failed to react to higher oil prices. As hostilities mounted in the Middle East, crude oil prices started to climb, and the December crude oil contract ended the day \$1.71 a barrel up at \$31.08.

■ THE WEST German bond market saw another quiet day of trading dominated largely by technical factors.

Investors have ignored eco-nomic fundamentals over the past few days and Tuesday's warning of possible higher interest rates by Mr Hans Tiet-meyer at the Bundesbank and yesterday's remarks on tax increases by Chancellor Hel-mut Kohl, had no effect on the market.

Cash prices were fixed alightly lower with the 9 per cent 10-year Bund fixed at 100.23 to yield 8.96 per cent after Tuesday's level of 100.30 and a yield 8.95 per cent.

■ IN THE UK, prices for gilt-edged securities rose slightly in a day of featureless trading amid a lack of direction to the market.

The report on the UK recession by the British chambers of commerce underlined the market's conviction that the econ-omy had drifted into recession and the report had little effect

A benchmark gilt mainting in 2003/07 edged up by four ticks to 102½ as traders said the market remained paralysed by the lack of direction to events in the Middle East.

• For technical reasons the Benchmark Government Bonds table is not available.

British Land cuts size of syndicated loan

By Doborah Hargrooves

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BRITISH Land, one of the UK's largest property companies, has cut the size of a £200m syndicated loan facility to £175m. The loan was arranged by National Westminster and Royal Bank of Canada Europa. The cut in the loan size comes after the financing met a disappointing reception in syndication smid current volatile market conditions. Several

other loans have been cut in size or been repriced as the cost of funding grows for most

companies.
The other terms of British

Spain urged to diversify instruments

SPAIN'S stock markets must diversity their range of instru-ments if they are to make an impact on national investor habits, according to Mr Luis Carlos Croissler, chairman of the National Stock Market Commission (CNMV), Reuter reports from Paris.

He reported that share investment by private investment parked at Pta261bn in 1967 and was followed by districtional investment," he said.

Mr Croissier said Spain's four stock exchanges needed 1988 and Pin427bn last year.
"If there is a characteristic that sets our stock market apart from others in Europe, it

FT/AMO INTERNATIONAL BOND SERVICE

four stock exchanges needed to keep developing new prod-ucts and to strengthen the market for fixed-income

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Data supplied by Association of International Bond Dealers.

Chile central bank in deal out of court with BBV

By Lessile Crawford in Santlago

THE Central Benk of Chile and Banco de Bilbao Vizcaya (BBV), Spain's largest hank, have reached an out-of-court settlement over an alleged fraud involving two debt-equity swaps worth

The central bank brought a legal suit against BBV in August this year and the negotiations appear to have been aimed at limiting the damage to the Spanish bank's international prestige.

A senior central bank official said BBV admitted it had breached regulations which

breached regulations which govern debt-equity contracts, but it had not done so with the intent of defrauding the

Chilean government.
The Spanish bank has agreed to pay \$8.6m in damages and a \$500,000 fine to the central bank. In return, the central bank has dropped crim-

central bank has dropped criminal proceedings against two high-ranking BBV executives. The agreement is expected to be finalised this week.

However, the central bank official said a legal investigation would continue to track down the missing debt conversion monies and to establish any criminal responsibilities.

Because foreign investors obtain an implicit subsidy by buying Chilean debt at a discount on the secondary market and exchanging it for pesos at

and exchanging it for pesos at near face value to invest in Chile, the central bank monitors these transactions closely. More than \$3.4hn of debt has been converted into equity investments since Chile began its debt-conversion pro-gramme in 1985.

pregramme in 1985.

HHV broke Chile's debt-conversion rules, known as Chapter XIX of the Compendium of Foreign Exchange Regulations, by falling to disclose that it was acting on behalf of a third party. Chapter XIX expressly forbids this.

The central bank has also

The central bank has also taken legal action in two other suspected cases of debt-equity fraud, neither involving BBV. The first involves a \$27m

The first involves a \$27m debt-equity swap. According to central bank officials, this is a carbon copy of the BBV case.

The second action is against a US company which transacted a debt-equity convention worth \$14m. Chase Manhatian Bank, which acted as the company's financial agent, discovered irregularities in the contract and brought this to the attention of the central bank last week.

Citicorp to raise dividend rate on issue

By Martin Dickson in New York

CITICORP, the largest commercial bank in the US, yesterday had to take the unusual step of raising the maximum dividend rate on an

maximum dividend rate on an issue of its auction-rate preferred stock to attract buyers to the issue.

The new rate for the \$100m of securities was set at 12.50 per cent, far higher than the 9.75 per cent allowable before, and way above the 9.4 per cent rate Chicorp was required to pay on Monday to sell a \$75m issue of money market preferred.

ferred.

With some 250m of enction rate preferred stock outstanding, Citicosp uses this market for only a small part of its funding requirements. However, the sharp rise in the rate of interest underlines growing ever, the sharp rise in the rate of interest underlines growing concern among investors about the financial health of Citicorp and other New York money centre banks which face growing pertfolios of bad or doubtful debts.

The preferred stock, bought mainly by corporations, is repriced at short intervals and each issue has an interest rate cap, expressed in terms of a percentage of the double-A commercial paper rate. Under

commercial paper rate. Under the auction process, there must be enough hids at rates below the cap to match offers to sell.

If there are not enough bids, an auction is deemed to have failed and the issuer faces the

failed and the issuer faces the choice of redeeming the issue or paying existing holders the maximum rate, which freezes them into the ctock.

Until now, the cap on Citicorp's stock was 120 per cent of commercial paper rate, and Mouday's \$75m issue came close to reaching that close to reaching that

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To prevent a falled suction today, the bank raised the cap to 200 per cent of the commer cial paper rate, which could allow the dividend rate to go as high as 16 per cent. For technical reasons this will take the form of an offer of new securities for the old

Ms Nancy Newcomb, the bank's chief funding officer, said it would do the same on Friday with another \$100m

"How can we know which lease proposal is best for us?"

The best lease proposal is one that

allows you to meet your hardware

That's exactly what Comdisco, the

remarketer of high-tech equipment,

gives you: the ability to upgrade or

replace your equipment during the

any hidden terms & conditions.

world's largest independent lessor and

lease term as your needs change or as

improves. Without surprises. Without

For more information, call Comdisco

the price/performance of technology

needs today while positioning

yourself for tomorrow's changes.

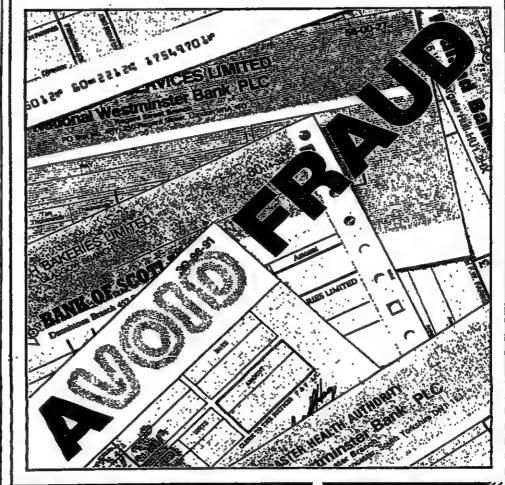
A lease covering computer and communications equipment is far more than simply a method for acquiring that equipment. It's a partnership between you and your leasing company.

To know which lease proposal is best for you, you must consider how your long-term costs and hardware choices will be affected:

- Can you terminate your lease early without any hidden costs?
- Can you sublease your equipment to another leasing company?
- Can you install new or used upgrades, features, and parts from

the vendor of your choice? Can you change manufacturers if costs or technology warrant?





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000,000,0002 Floating rate notes 1994

For the three months 24 October 1990 to 24 January 1991 the notes will bear interest at 13.955% per annum. Interest payable on date 24 January 1991 will amount to £175.87 per £5,000 note and \$3,517.42 per \$100,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

BRITISH AIRPORTS FINANCE B.V. Floating Rate Guaranteed Notes due 1996

In accordance with the terms and conditions of the notes, notice is hereby given that for the first interest period from October 25, 1990 to January 25, 1991 the notes will carry an interest rate of 8.35% (Including the margin of 0.10%).

The coupon amount psyable on January 25, 1991 will be JPY 213,389. BANQUE GENERALE DU LUXEMBOURG KA Agent Bank

BRITANNIA BUILDING SOCIETY £150,000,000

£150,000,000

Floating Rate Notes Due 1996
In accordance with the terms and
conditions of the Notes, notice
as hereby given that for the three
months interest Period from (and
including) 24th Jecober, 1990 to (but
excluding) 24th January, 1991, the
Notes will carry a rate of interest of
13,975 per cent per annum. The
relevant interest Payment Date will
be 24th January, 1991, The Coupon
Amount per £10,000 will be £352.25
payable against surrender of Coupon
No. 17.

Hambros Bank Limited

Hambros Bank Limited Agent Bank

NOTICE OF REDEMPTION.

To Holders of U.S. \$250,000,000 General Motors Acceptance Corporation 10.25% Notes due November 15, 1992

Notice is hereby given that pursuant to Paragraph 5 of the Notes and Paragraph 6(b) of the Fiscal and Paying Agency Agreement dated as of November 15, 1985, between General Motors Acceptance Corporation (the "Comment") and Chemical Bank, Fiscal and Principal Paying Agent, the Company hereby gives notice of its election to redeem all of its 10.25% Notes due November 15, 1992. The date fixed for redemption shall be November 15, 1990. and the Notes will be redeemed at the price of 100.5% of the principal amount thereof together with accrued interest in the date fixed for redemption. After November 15, 1990, the Notes will cease to accrue interest. The Notes will be redeemed upon presentation and surrender together with all apportenant coupons, if any, maturing on and after the date fixed for redemption at the principal office of the Fiscal Agent, Chemical Bank, 180 Strand in London or at the principal offices of Chemical Bank in Frankfurt, Banque Bruzelles Lambert S.A. in Brussels, Banque Generale du Loxenbourg S.A. in Loxenbourg, Bank of Montreal in Toronto and Union Bank of Switzerland in Zorich

General Motors Acceptance Corporation

ALLIANCE -LEICESTER Alliance & Leicester Building Society £112,000,000

Subordinated Floating Rate Notes due 1998 For the three months 24th October, 1990 to 24th January, 1991, the Notes will carry an interest rate of 14.5875% per annum with an interest amount of £18,384.25 per £500,000 Note,

payable on 24th January, 1991. Listed on the Lucenshourg Stock Exchange.

INTERNATIONAL CAPITAL MARKETS

Upturn gathers speed in floating-rate note issuance

TWO CONTRASTING deals in the dollar and Ecu sectors of the Eurobond market yesterday provided further evidence of a widely-anticipated upturn in floating-rate note issuance.

Both issues were syndicated. on a fixed-price reoffer basis, the US-style syndication technique whereby underwriters

INTERNATIONAL **BONDS**

agree to trade only at an agreed price until the lead manager announces the syndicate has broken. Because the syndicates on yesterday's deals were not broken during active

trading hours, market reaction was hard to gauge. Instituto De Credito Oficial (ICO) launched a \$450m floating rate issue via Goldman Sachs, guaranteed by the Kingdom of Spain. The seven-year issue pays 5 basis points over the six-month London inter-

This compares to secondary

market spreads of around Libor flat on equivalent eightyear paper issued by Renfe, the Spanish state railway company. During the course of yes-terday, spreads on the Renfe paper widened to about 3 basis points over six-month Libor, suggesting that this latest issue had set new levels in the

Launched at par, the bonds were offered in the grey market at the fixed re-offer price of 99,92. The syndicate will be broken this morning.

At the other end of the spec-trum in terms of size, Isvelmer, the Italian state-backed development agency for southern Italy, offered an Eculoom five-year deal through Credit Suisse First Boston. The paper pays a spread of 15 basis points over

Although the borrower is backed by a consortium of banks and the Italian government, the issue does not carry a credit rating or a guarantee. The small size of the issue may reduce liquidity, although the

spread compares favourably to bigger Ecu deals. Launched at par, the bonds were offered in the grey market at the fixed reoffer price of 99.90. The syndicate was broken at 5pm. The European Investmen

Bank followed the World Bank into the long-dated fixed-rate D-Mark sector, with a DM400m issue via Deutsche Bank. The seven-year issue pays a 9 per Issued at 101%, the bonds traded down to 99.65 bld, inside

full fees of 1% per cent. At these levels, the issue yields 3 basis points over seven-year n government bonds. Bankers Trust acted as issuer and arranger for an innovative Y1bn two-year structured private placement

for a single Japanese institu-tional investor.

The bonds pay ½ per cent over three-month Libor for the first three months, before reverting to a fixed 12 per cent coupon - linked to the West Texas Intermediate oil futures contract by an undisclosed for-

	MEW INTE	RNATIO	NAL	BOND	ISSU	ES
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hat D'Credito Oficial(d)†	450	(d)	100	1997	29/13bp	Goldman Sachs
O-MAITER E18(a)◆	400	9	10118	1987	14/14	Deutsche Sk
ECUe lavelmor(a)†•	100	(e)	100	1995	20/10bp	CSPS
BWISS FRANCS N.East Fit. Japan(a) ◆ Fuji Salko(b) * ★ ◆ Jeleco(c) * ★ § Ando Corp(a) * * * ◆	160 36 30 30	71 ₀ 61 ₂ 61 ₈ 8	101 ½ 100 100 100	2000 1995 1995 1995	24/24	Banque Peribas (Sulsee) HandelsBank Natwest Nomura Bk (Switz) Dal-Ichi Kangyo Bk

Matif to widen contract on Ecu bonds

tipp over 6-month Libor. Non-callable. e) in form of fiduciary issue by Krediethank S.A (Lib.) repre-

By Deborah Hargreaves

MATIF, the French futures exchange, has said it expects to widen the specifications of its new Ecu bond futures product before next June. The exchange launched the contract last Thursday but, cur-rently, only bonds issued in Ecu by the French government are eligible for delivery against

Mr Gilbert Durlenz, chief executive of the exchange, said the Matif expected to widen the contract to include Ralien government Ecu bonds for delivery before histing a con-tract maturing in June next year. The contract will eventually be widened to include most issues of Ecu bonds by sovereign states or supranetional institutions with maturities from six to 10 years. The exchange has set up a

FT-ACTUARIES SHARE INDICES

how to introduce Ecu paper into the bond contract.

Mr Durieux said that Italian Ecu bonds which were trading at a spread of 30 basis points over the French issue, saw the spread narrow to almost nil contract. He said this means there would probably be little need to weight the Italian paper with a spread when including it in the contract.

Japan investment trust glory fades **Defaults on** corporate bonds in US 'to hit peak'

By Deborah Hargreaves

US CORPORATE bond defaults will finish the year at a 20-year high, predicts Moody's Investors Service, the US credit rating agency.

The firm cites a slowing US economy, precarious levels of debt and a continuing credit crunch as reasons for the large number of bond and commercial paper defaults this year. The agency has noted 48 bond defaults in the first three quarters of the year, affecting \$12.3bn of debt, compared with 33 defaults in the same period last year. Defaults are

now running at an annualised rate of 7.2 per cent which is the highest since the 1970s.

The agency points out that more than three quarters of the bond defaults were by companies in the industrial sector and the rest were finan-

cial institutions.

Many of the bond defaults came from companies that had taken on huge debt burdens to finance leveraged buy-outs and other financial restructurings in the 1980s. These include Federated Department Stores and Allied Stores which defaulted on nearly \$3bn of bonds in January and South-land, the food-chain operator, which defaulted on nearly \$1bn of bonds in March.

Moody's says the unusually high incidence of default among industrial and financial companies is also partly due to the sharp fall in available sources of funding for lower credits. If financing sources such as the junk bond and highly-loveraged bank-lending markets were available to these companies, many issuers might have been able to avert default.

In the commercial paper market, the agency reports five defaults in the first three quarters of the year, affecting just over \$300m outstanding in the US, European and French commercial paper markets. Defaults on commercial paper were previously highly anusual since market disci-

pline caused issuers to leave the market once their financial strength began to deteriorate. Between 1972 and 1988, only one issuer defaulted on commercial paper. companies.

panies are bracing themselves for a hard slog ahead The collapse of the Tokyo stock market this year and market reforms, including the opening of the market to foreign management groups this mouth, are shaking investment trust management companies out of many years of compla-

The massive fall in stock prices this year has wiped out nearly 21/2 years' worth of the asset growth of Japanese investment trust funds. Overall, net assets have

fter years of spectacu-

A lar growth, Japanese investment trust com-

fallen about 18 per cent in less than a year, from Y58,600bn (\$465bn) at the end of last year, to Y48 200hm at the end of August. The figure is likely to be worse for September after the market's sharp plunge in that month.

Investment trust funds have suffered a flood of redemptions while sales have been dismal this year. By the end of the year, the value of investment trust funds is expected to fall below the level of the previous year for the first time in 24

This is a dramatic change from the glory days of the 1980s when investment brust companies in Japan saw assets grow nearly 10-fold as Japanese stock prices soared. "For most of the past 15 ears, the Tokyo stock market

only went up," says Mr Akira Miyanchi, general manager of the Market Research and Development Department at Trust Management, the indus-try leader. "Our younger fund managers do not know what a bear market is," he points

While the market was booming, there was little need for fund managers to distinguish themselves with creative products or better performance. "As long as investors put money in the market, they all won," says Mr Kazuma Tar managing director of Kokusai investment Trust Management But the market's recent weakness means that "more competitive products will have to be

developed". In addition to the reversal in their fortunes, management companies face greater compatition through reforms that are being introduced by the financial authorities, particularly the opening of the jealously guarded investment trust fund market to foreign management

Ever since a stock market crash in 1964, the Finance Min-istry has refused to allow any new entries into the market and there are only 14 companies in Japan that are licen to manage investment trust funds, compared with 350 in

The arrival of foreign compames this month is an important step into the new era of competition. The success of the foreigners, who lack the strong retail network of their Japa-nese competitors, will depend on their ability to attract inves-tors through high returns and thereby convince the securities houses to sell their

"We are going to be very small fish in a big pond and we

equity investment trust product was 3.5 per cent annually versus an average 21 per cent appreciation in the market.

"In Japan investment trust

funds have always been seen as a means to obtain a little more return over cash," says Mr Cohen. The standard expected return in the past has been slightly above the bank savings rate, or about 5 per cent, Japanese fund managers point out

But as deregulation of the market progresses, and inves-tors have a wider variety of products to invest in, awareness of performance will increase, says Mr Cohen. Japanese fund manager

themselves readily admit that the volatile market will make it more necessary for them to drum up business with more attractive performance showings. "Success will depend on the ability to interpret the

The massive fall in stock prices this year has wiped out nearly 21/2 years' worth of the asset growth of Japanese investment trust funds

are not going to change things overnight," admits Mr Stephen Cohen, director of Mercury Asset Management of the War-burg group, which is one of the first two foreign companies to funds in Japan. But foreign fund managers have built up considerable portfolio management skills and impressive performunce records. "In terms of product develop-

ment, foreign management companies have a very good chance in the Japanese market," says Mr Soichi Kadokawa, president of Financial Data System, an independent analysis company, "Japanese investors smill be looking at performance and it doesn't si performance and it doesn't matter whether the fund man-ager is foreign or Japanese," he

The bleesings of a surging domestic stock market and lack of competition in the past, allowed Japanese investment trust management companies to enjoy rapid growth despite a dismal performance

recent report that "in the 1980s the average return on an

contract appeared to lack a

trends of the times correctly," says Mr Tamei. Meanwhile, the country's Meanwhile, the country's financial authorities have shown they are intent on introducing a greater degree of competition and on stamping out industry practices that stand in the way of bringing the Japanese investment trust market in line with western market standards

market standards. Domestic market rules are heing changed to put greater emphasis on maintaining the independence of management companies from their parent securities houses. Japanese securities companies have often been accused of dumping poorly performing stocks on their investment trust subsidiaries and putting pressure on them to trade more often than necessary in order to generate commission income.

The close relationship between investment trust companies and their perent company securities houses has also tended to reduce competition and to restrict the independent ience of fund managers.

For example, it has been accepted practice for the secu-rities houses to send staff to

LONDON TRADED OPTIONS

The December FT-8E closed at 2,167.0, down 23 points on the day. Its premium over the cash index ended at 48 points against

in the traded options market, turnover stood at 28,351 contracts, little changed on the day and below the level necessary for most market operators to cover

Michiyo Nakamoto on the struggle to contend with a bear market tives, while securities sales workers commonly became fund managers. "These people have been trained to sell securities, not to manage funds," complains in official at a large

investment trust company. The Ministry of Finance recently introduced rules that make it difficult for the securities houses to second executives and staff to their subsidiarles. It has also been panies to set up funds to be sold through a number of securities houses rather than just through their parent com-

Mr Tamai points out that investment trust management companies and their parent securities houses are no longer as interdependent as they used to be. It would be very difficult for a securities house to force its subsidiary to buy stocks that were not performing well, Mr Tamai claims. "The Finance Ministry has its eyes on us." he says.

This summer, the Ministry of Finance embarked on a pro-gram of reforms to broaden the scope of investment products which Japanese funds could invest in in the hope that dere-gulation would inject much needed competition into the

can only invest in a limited number of products that are accepted by the authorities as

In August, US mortgage-backed securities were included in the Finance Ministry's definition of securities and fund managers expect that eventually they will be allowed to invest in securitised prod-

ucts at home as well. Deregulation could gather pace when foreign investment trust companies enter the market. "Then the authorities will no longer be able to be so strict about what investment trusts can invest in," says one Japa-hase fund manager.

The growing consensus is that from now on, fund manag-ers in Japan, faced with a more difficult climate and greater competition, will have to work compension, will have to work much harder than they are accustomed to. As one Japanese fund manager sums up the outlook, "the wind is no longer blowing in our favour, and only competitive companies will survive."

LONDON MARKET STATISTICS

rises and falls yesterday

_	O The Financial Time	310/				-		olel 7	lunea I	i Ad	
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	EQUITY GROUPS				løber å			The Dist 25	Mon Oct 22	Fri Oct 19	Year ago (approx)
Flg	4 SUB-SECTIONS uren in parentheses show number of stocks per section	No.	Day's Change	Est. Earnings Yield% UMass.)	Gross Div. Vield% (Act at (25%)	E REGIO	nd adj. 1990 to wate	hades No.	lader	index No.	Inches
2	CAPITAL 60005 (296) Building Materials (26)	975.06	-0.5	15.51 15.06	6.55 6.27	7.36 8.18	31.87 40.76	718.62 974.85	711.42 963.51		1021.87
3	Contracting, Construction (33) Electricals (10)	1356.60 1881.24	+0.2	17.26 14.94	6.91 7.16	7.51 8.19	58,05 84,91	1976.78	1866.63	1962.59	
5	Electronics (26)	417.65	-0.4 -0.5	10.62 16.21	5.41 5.78	12.87 7.42	58,17 15,45	1589,05 419,76	415.12	416.82 361.20	1915.22 0.00 0.00
8	Engineering-General (47)	399.50	+0.5 -1.9 +0.2	16.66 28.52	7.22 8,36 8,61	7.22 4.27 6.43	17.02 17.02 14.53	357,90 407,40 278,79	357.02 398.72 269.11	401.77 268.83	448.49
녪	Other Industrial Raterials (23)	1190.54 1213.45	-1.6 -0.6	14.14	6.85	8.17 12.12	60.27 31.51	1209.65 1220.75	1197.84 1207.38	1180.20	1615.76 1228.58
245	Brewers and Distillers (22),	3m7 45	+0.1 -0.3	10.23 11.41	3.87	11.84 10.80	33.61 28.13	1526,94 1020,25	1012.75	1007-53	1090,45
26 27 29	Food Retailing (1.7)	23/5.93 2469.47 1200.81	-1.4	7.16 7.16 12.38	3.52 3.01 5.36	12.69 16.51 9.78	52,68 50,32 44,58	2374,89 2505,24 1212,67		2431.66	
31	Packaging & Paper (12) Publishing & Printing (14)	486,97	-0.1 +0.8	13.22	7.15 6.38	9.29 10.24	126.51	487,32	483.88 2888.75	482.49	531.80 3468.88
34 35	Stores (33) Textiles (12)	803.43 424.10	-1.7 -0.6	10.98 14.06	4.59 8.37	11.85 9.01	19,51 20,45	817.30 427.38	812.12 420.45	810.13 418.28	518.26
41	OTHER GROUPS (167)	1019.75	+0.9 -1.4 -1.3	12.66 10.41 15.12	6.01 3.27 6.61	9.61 11.43 9.00	22.16 22.25 46.81	986.28 1033,88 1021.37	978.01 1025.36 1016.05		1108.26 1482.68 1209.95
43	Consignmentary (15)	it 127 qq i	-13 -0.4	12.78 12.78	7.54 5.52	9.43	38.53 67.29	1345.6E 1909.05	1337.20	1322.39	1578.03
47	Transport Q.4) Telephone Networks(3) Water(10)	1 181.76	-0.4 +0.5	12.30 14.82	6.83	10.58 7.64	26.09	1067.87 1971.30	1066,49 1947,60	1919.24	0.00
49	Miscellaneous (25) INDUSTRIAL GROUP (479)	1019.06	-2.0 -0.7	12.33	5.93 5.32	9.42 10.12	61.84 32.81	1026,21	1015,99	1496.87 1009.46	1115.58
591	01) & Gas (21)	1125.89	-0.1 -0.6	11.72	5.38 5.33	13.55 10.54	85.44 37.07	2324.12 1132.69		2213.77 1114.77	
62	FINANCIAL GROUP (103)	739.65	-0.7 -1.2	22.12	6.88 7.79	5.92	32.89 42.00	696.00 748.78	687.66 735,79	687.80 733.58	
66	Insurance (Life) (7)	586.99	-0.4 +0.2	8.88	5.95 7.23 7.59	14.76	55.62 32.08 41.94	1295.56 589.57 844.83	1290,22 583,40 846,79	589.25	1240.24 642.55 1052.37
68	Merchant Banks (7)	346.33 940.52	-0.3 -0.5	7.82	5.91 5.19	16.86	12.75 25.45	347.50 945.03	346.02 930.91	925.26	384.31 1165.95
쒸	Other Financial (21)	244,54 1017,62	-0.2 -0.2	77.95	7.14 3.91	11.05	25.91	245.12 1014.63	244,90 1006,85	246.27 1001.18	323.24
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provided a gloomy backdrop for a session largely devoid of strong 3 4 8 8 % 12 14 15 18 (7)21,] 500 艾 弘 升 石 女 尽 20 1 1 1 20 20 20 Scal & New 230 32 65 57 5 13 18 73991 360 11 17 40 18 27 30 (237) Dec Fab Aur Dec Fab 📦

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UK COMPANY NEWS

Tempting shareholders to back a tunnel vision

Andrew Hill and Andrew Taylor on Eurotunnel's proposed £530m money-raising plan

HE MONSTER created by Dr Frankenstein would fit almost as well into advertisements for the Channel tunnel project's pro-posed £530m rights issue as it has into the UK electricity industry's privatisation cam-

paign. Eurotunnel, like Frankenstein's creation, seems to have come back from the dead. Its rights issue — which, like the flotation of the electricity distribution companies, should take place next month marks the latest revival of a project which has been laid out for burial on several

Today more than 200 inter-national banks are due to sign a new £2.1bn loans package, which must be completed before the rights lasne can go

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before the rights issue can go ahead.

The cash is needed to finish the scheme, which has risen in cost from an initial estimate in 1987 of £4.8bn, to £7.7bn — an increase of 60 per cent.

Eurotunnel will have to convince new and existing shareholders that:

• the problems which caused the dramatic increase in costs have been resolved and that most of the risks of construction have now been removed;

• the returns offered to investing the cause of the risks of construction have now been removed; the returns offered to investors are still attractive, in spite of the rise in costs;

The company's campaign should be helped by the fact that the rights issue will coincide with an historic break-

Engineers digging the service tunnel from the British and French coasts are now a few metres from shaking hands under the Channel. For the

ALUMASC had enjoyed a very

busy first quarter, however, it could not ignore the slowdown in many of its markets, the annual meeting was told. The company was in a strong position to make the most of those conditions.

conditions.

ASH & LACY has agreed to
acquire Société Nantaise de
Galvanisation for a total of
FFr27m (£2.7im) cash. The pur-

first time since the Ice Ages, people will be able to walk from Britain to the continent

of Europe. The breakthrough of the service tunnel will be the most striking symbol of the vast improvement in the project's progress since construction started at the beginning of 1988, shortly after Eurotunnel had completed a £6bn financ-ing — £5bn of loans and stand-by credits, and £1bn of

equity.

In the prospectos for the 1967 offer for sale, Eurotunnel forecast that the project would generate an internal rate of return of 17 per cent. By summer this year the prospective rate of return had fallen to about 14 per cent, assuming a rights issue price of about 400p per share. Costs have risen much faster than traffic and

much faster than traffic and revenus projections.

But Eurotunnel argues that the big risks, traditionally associated with a speculative development project, have been removed, as construction has progressed. Some 70 per cent of the tunneling and 60 per cent of the terminals have per cent of the terminals have now been completed. Agreements to buy much of the equipment and rolling stock have also been negotiated, according to Mr Alastair Morton, Eurotunnel's chief execu-

of the group will have enough money following the latest cash call to complete the project on time without having to come lack to absreholders for more funding.

The contract of the group will have been made; there will be a guaranteed stream of income to repay made; there will be a guaran-teed stream of income to repay loans and start paying dividends; maintenance costs are expected to remain low. But there is much more to

chase will be funded by a new

chase will be funded by a new lost facility in France.

HRIDGEND GROUP is returning to distribution via an agreement to acquire the assets, certain liabilities, the business and goodwill of John Sydney. The company, an Ragie Trust subsidiary, distributes bathroom and kitchen fittings. Consideration is equal to value of Sydney's net assets as

through in the construction of the Channel link than the the link. nels and terminals. Even though most of the equipment and rolling stock has been ordered, Eurotunnel still has to join the pieces together to cre-



Alastair Morton and André Bénard, the British and Franch heads of Eurotumnel, pull together the new financing package

ate an efficient and profitable part of a larger European rail-

way system. Each month's delay in com-Each month's delay in completing the project, which is due to open in summer 1993, would add more than 550m to Eurotunnel's interest bill. Also still to be resolved are disputed claims for £900m of additional payments, which Eurotunnel's contractors say they are owed.

Today's loan agreement and next month's cash call will provide Eurotunnel with a cushion. About £1bm of the £8.7bm ion. About £1bn of the £8.7bn of funds then available to the project could be used to cover any further increases in

But the group still has to make a convincing case to several distinct groups, of share-holders, whose loyalty has been tested over the last 18 months. Yesterday the shares

at September 28 1990, satisfied

at September 38 1930, satisfied by a payment of £2.9m condi-tional on approval of Bridgend shareholders. A further £300,000 will be paid into escrow pending finalisation of completion accounts. PRITISH APROSPACE: Bar-ckys de Zoete Wedd confirmed purchase of 30.01m nominal

purchase of 20.01m nominal (20.04 per cent) of Arlington Securities 9.5 per cent cumula-

COMPANY NEWS IN BRIEF

rose 35p to 480p in expectation of today's signing ceremony, but that still compares with a stracted by a fresh range of peak of nearly £11 last sum-

mer. Eurotunnel has \$39,000 separate shareholders, predomi-nantly French and British institutions and large numbers of individuals. Individual shareholders include three in Afghanistan, one in Cuba, 14 in Togo and a sole investor in Albania.

An unusually high proportion of Eurotunnel's equity — nearly 44 per cent — is owned by individuals. Many of them own no other shares. Almost half the UK individual shareholders has never used a stockbroker.

A large number bought shares for the free-travel incen-tives provided with the origi-nal share issue and Eurotunnel

tive redoemable preference shares 2008. Shares purchased by BZW will in turn be bought by BAs. BEO SCHOOLE Industries has

made further property disposals for a total of £5.55m, making a total of £5.55m realised in the last morth.

BTP has agreed to purchase for a total of £4.1m (£1.7m) two speciality chemicals operations

and new investors will be attracted by a fresh range of sweeteners - this time in the form of chesp fares which can be passed on to other nomi-

Unusually, the group is using newspaper and poster advertisements to promote the rights issue in a campaign which is expected to cost nearly £5m. It coincides with the ubiquitous electricity advertisements, but Eurotunal's advisers discount the pronel's advisers discount the possibility that small investors will prefer the more immediate returns of the electricity offer and spurn Eurotunnel stock. The two issues present quite different investment opportuni-

ties, Eurotunnel says, Another unorthodox aspect of the offer is that shareholders have known about the cash

in Australia. The largest purchase is ICI Australia Operations, for A\$3.5m. The other is Polymer Contings and

other is Polymer Contings and Adhesives.

EIS Group has paid 2350,000 cash for the trade and assets of Coventry Climax Engines, which is in receivership. It will be relocated at EIS subsidiary Horstman Defence System's

call for more than a year. Euro-tunnel revealed that it was running out of money to com-plete the project last summer and it has taken since then to negotiate new loan agreements with the banks.

Mr Graham Corbett, Eurotunnel's finance director, says:
This must be the longest prebilling of any rights issue in
history and I have to assume that any views the market might have about it have been

reflected in the [share] price for several months."

More importantly for Euro-tunnel, the rights issue was pre-underwritten by traditionally sceptical institutional investors in Britain and France in May. This is a signal of con-fidence in the future of the project, says Mr Corbett. The group is now seeking to re-un-derwrite the issue to allow itself greater flexibility in pricing the new shares.

Eurotunnel's advisers say mariest conditions are not fun-demental to the success of this damental to the success of this rights issue. The last public offin of there was success although it was launched within weeks of the October 1987 stock market crash, and the long-term nature of the project enables Eurotunnel's share price to ride out that turn stock market movements.

"The fact that we will not pay a dividend until 1997 or 1998 gives us a degree of pedding," says one adviser.

On the other hand, the fact that the project is still two

that the project is still two years from opening and at least seven years from paying its first dividend means inve-tors still have to take a lot on The rights issue is already

pre-underwritten and once the banks sign today, completion of the tunnel is assured, Euro-tunnel believes. The question is: will shareholders back Eurotunnel's vision?

FTP BROADCASTING: Chil-

tern Radio's total holding of

shares and rights over A ordi-nary shares is 3,501 shares (35.01 per cent). RACAL ELECTRONICS has,

through its Racai Electron ics Europe subsidiary, acquired Meldkamer Midden-Nederland, a central station alarm

monitoring service for

Lionheart plans to pay dividends after reorganisation

By Andrew Bolger

LIONHEART, the housewares and retail display systems group formerly known as Spong Holdings, is proposing a capital reorganisation so that the company will be able to pay dividends out of future

pay divinends out of nature courings.

The reorganisation, which is subject to shareholder and court approval, will eliminate the accumulated deficit of £1.9m on the group's profit and loss account reserves. The board said it introducts board said it intends to resume payment of dividends to ordinary shareholders next year after £680,000 in arrears of dividends on preference shares had been paid, dependent on the subsequent trading perfor-mance of Lionboart.

Mr Paul Lever, executive chairman said: "Current trad-ing is not bad - not at exciting levels, but we are profitable and on course."
Last October, Lionheart bought Hamilton, a private company which manufactures paint brushes and decorating equipment. The consideration comprised an initial 25.3m, plus a deferred payment of up to £1.5m, depending on Hamil-ton's performance to the end of

this year.
Lionheart said that after a review by independent accountants, it was confident that the full £1.5m would be payable. In order to speed the combination of the Hamilton business with that of Acorn Decorating, which was accounted in July

which was acquired in July.
the board had decided to bring
forward this payment.
The group would therefore
issue up to 8.3m new ordinary
shares in Lionheart to the vendors of Hamilton following an EGM on December 17.

Acquisitions boost Bimec

BIMEC Industries, the pollution control and treat-ment group, doubled turnover to £24m and saw profits before tax rise from £904,000 to £2m for the six months to end-Sep-

During the half year three acquisitions were successfully integrated and at the period end net bank borrowings were contained to

£1.39m, representing a gearing level of 19 per The interim dividend is lifted from 0.33p to 0.5p from earnings of 2p (1.2p).

For the 1989-90 year as a whole pre-tax profits amounted to £2.77m and shareholders received a lp total dividend.

The group, which graduated from the Unlisted Securities Market to a full listing two months ago, said all three divisions were continuing to trade

profitably.

The current order book strade at £34m.

Phaidon Press

sold by receivers Phaidon Press, the art publisher, has been sold by the receivers of Musterlin Group to Mr Mark Futter and Mr Rich

ard Schlagman. The current management team and all staff will be retained. Phaidon, based in Oxford, has annual sales of about 25m.

Heywood purchase

Haywood Williams has bought Double Glazing Components for the issue of 350,000 shares.

Correction **Erskine House**

unfortunate error.

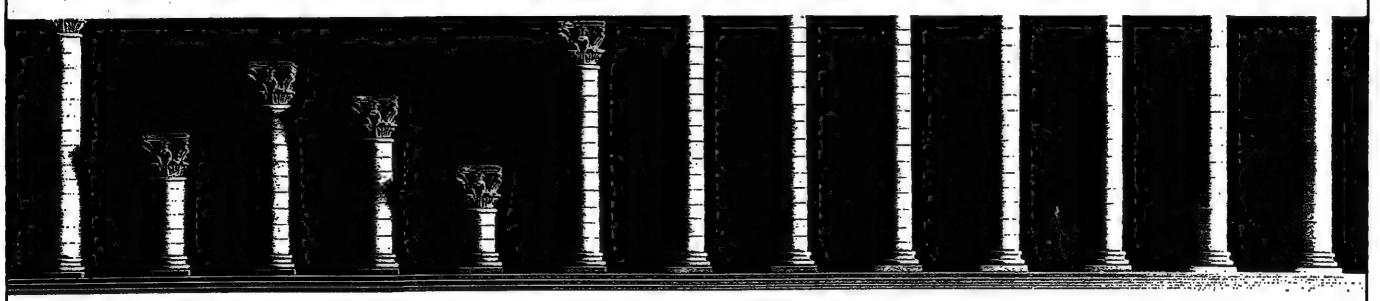
Copy Consultants of Carilale, which went into receivership on Tuesday, is not a subsidiary of Erskine House, as reported in Wednesday's Financial Times. In 1965 Erskine House acquired Stapleport, an unconnected company with head-quarters in Bath and branches quariers in Bath and branches in Plymouth and Bournemouth which traded as Copy Consul-tants until last year, but now trades under the name of Erskine West. We apologise to Erskine House for making this

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UK COMPANY NEWS

Anglo United sells NSM stake to repay debt

highly-indebted fuel distributor and mining group, yesterday sold its 20.62 per cent stake in NSM, the mining and building materials group. It will use the proceeds to pay off debt resulting from its acquisition last year of the much larger Coalite

The £32m raised will be help meet the banks' requirement that the £440m debt it took on to acquire Coalite should be reduced by £265m by the end of the financial year in February

Stockbrokers Smith New-Court and Charterhouse Tilney took the shares on to their own books on Monday in a bought deal before placing them with institutions yesterday. Prior to the Coalite acquisi-

tion, Anglo had gearing of about 50 per cent with debt of £20m. After the sale of NSM and further repayments the company will still have a nega-tive net worth, Mr John Geinham, the finance director said. However, the company would move onto a less rapid repayment schedule next year, he

In February this year Anglo took up its rights in NSM's \$49m rights issue, making it

clear it was looking for a buyer willing to pay a premium that recognised the strategic value

ers' merchant and quarrying activities. The company was also looking to sell its property and oil exploration assets.

expires by February next year. The sale of the NSM stake helps the company repay the also by that date, Mr Gainham

One analyst said that the sale of the NSM stake had largely solved Anglo's short-term problems with high gearing but that there had to be a residue of concern when

Monte Fresh Produce. The deal announced in May, involved the sale by Polly Peck, with charter-back, of nine new Del Monte reefers or refrigerated cargo vessels. Polly Peck acquired rights to

Boots in £19m drugs

BOOTS, the pharmaceutical and retailing group, is to buy a range of over-the-counter drugs from Medeva, the UK medical research and manufacturing company, for £18.5m.

Over-the-counter medicines do not require a doctor's pre-scription. The principal brands in the deal are Mycil (for athlete's foot), Dequa (sore throat treatments), Nylax (laxative) and Sea Legs (travel sickness

early this year. Their sales in 1969 amounted to £3.62m realis-

THE TALE of Telfos Holdings,

the locomotives, rolling stock,

investment and property dealing group, has become more tangled with the resignation of Mr Jonathan "Jo" Malins, the

Mr Maiins, who has in the past courted publicity, was unwilling to comment after his

Mr Clive Harrison, a non-executive director of Telfos, and senior partner of Fiske & Co,

its stockbrokers - in which

Telfos has a 13.5 per cent stake

about the reasons for Mr Mains departure. Mr Edward Duke, who had been head of

the group's engineering busi-ness, has been appointed man-

Mr Malins resignation was apparently brought about by a disagreement with the rest of the board over lack of progress

being made on the sale of the company's investment and property activities and not

about the core business.

Meanwhile, the climate for making sales of the investment

chief executive on Tuesday.

By Maggle Urry

resignation.

cals, said the deal was part of the company's policy of expanding Crookes Healthcare, its over-the-counter subsidiary.

manufacture over-the-counter products at its Bradford plant until the factory's expected closure late next year. Boots will then will then take over their production in Nottingham. Mr Bernard Taylor, Medeva chairman, said the saie to Boots would eliminate the company's borrowings and

The Telfos tale becomes more tangled

and property activities has been deteriorating and Telfos

will have to make provisions

against the assets, which ear-

Her this month it said would be

higher than it originally hoped.

As yet Telfos can give no idea of how hig these provisions might be. Mr Harrison said yesterday that shareholders "will be given a progress report as and when we do anything". He said he hoped this would be a matter of weeks rether than months.

Investors had not been

chirpy before Tuesday's curt announcement of Mr Malins

departure. A £13.9m one-for-

three rights issue at 180p in

July, had been enthusiastically taken up by shareholders who believed that prospects were good for the group's core business, mainly its Hunslet locomotives and rolling stock subsidiaries. However, one large

sidiaries. However, one large

holder, Govett Strategic Invest-ments, which at one stage had over 15 per cent of the com-pany, did take the opportunity to sell its stake.

Since the rights, the shares

rather than months.

of its stake. Mr Gainham sald yesterday it had been only a question of time before Anglo sold its stake which it acquired when it injected its coal interests

it injected its coal interests into Burnett and Hallamshire, the mining group, in 1988, which was rensumd NSM.

By June this year Mr David McErlain, Anglo's chairman, said the group had already raised £135m by disposing of Coalite's waste disposal, build-ars' merchant and quarrying. Norwegians committed to Del Monte deal

and oil exploration assets.

Anglo has repaid 2150m of its £200m bridging loan, which

the company was being run with at least one eye on the banks.

Independent audit hold-up ● Turkish and Cypriot investments will be protected ● Ship deal unaffected

Little progress in Polly Peck audit Nadir statement on

THE INDEPENDENT such of Polly Peck International's operations promised by the board on October 5 has failed to make any headway in Tur-key or Cyprus, the two coun-tries where more than 70 per cent of the group's profits were made last year. Two British accountants, Mr

Richard Stone and Mr Jim Truscott, flew back to London on Tuesday evening. It had become evident that there was little prospect of gaining access in the near future to Polly Peck's Cyprus operations as well as some in Turkey, includ-ing Meyna, the fruit export company which is believed to account for most of the group's

Yesterday Coopers &

KVAERNER, the Norwegian

industrial and shipbuilding

group, yesterday moved to allay concerns over its involve-

ment in a 2142m long-term ship

charter deal with PPI Del

the vessels as part of its \$875m purchase of the Del

Monte fresh fruit operation last year, and the deal was an important step in reducing

Lybrand Deloitte said it had been given a courteous recep-tion by Mr Asil Nadir and other Polly Peck officials, and two teams of accountants were in Istanbul, standing by to go into the group's operations in Turkey and Cyprus as soon as nossible.

However, the auditors face an interim court order which prevents them from going into any of the nine Polly Peck companies operating on the ieland.

Yesterday a Turkish Cypriot Judge in Nicosia, Mr Hasan Sönmezerdem, ruled that the han should stay in force until the court's next hearing on November 26. The injunction is being sought by a group of orange farmers in Cyprus who

The purchaser of the shins is

a consortium including Kva-erner and a group of Norwe-gian investors. The deal was

one of the largest in reefer ship

ships outright and has a 30 per cent interest in a fourth, prod-ucing an expected total outlay

of \$96.5m.
Six of the ships, all of which were built in Spain, have been delivered, but the three being bought by Kvaerner are not expected to be delivered until

early 1991. Kvaerner has paid over its share of payment for the fourth ship to Polly Peck,

Kvaerner is due to buy three

ing Polly Peck is hurting their

In spite of claims by Turkish Cypriot opposition politicians that the farmers' action is not displeasing to Mr Nadir, Mr Mentes Aziz, his lawyer in Nicosia, said he had tried to fight the ban.

"It did sound a bit funny to us. We have been put in an embarrassing position," he said. "The ban came just at a time when we were instructing the release of the documents. Even before the injunction was issued, the auditors had been refused access to the books of Meyna, the fruit and vegetable export company on

Meyna's accounts are impor-

but the bulk of its investment.

for the other three ships, has

been prepaid into an escrow

Kvaerner's involvement in

the deal has caused anxiety in Oalo. Speculation that it could

bring the company heavy losses led to a sharp fall in its share price last month. The

company subsequently wrote to the Oslo Stock Exchange denying that it faced heavy

losses, and said there were no indications that the deal might

In London yesterday, Mr Erik Tonseth, Kvaerner's presi-dent and chief executive, said

ansount.

tant for understanding Polly Feck's finances. Although the group has never divulged any detailed information about the

mainland, Meyna has been

injunction meant that the two Turkish Cypriot directors of Polly Peck, Mr Nadir and Mr Radar Resat, could theoretically be sued in Cyprus for contempt of court if they allowed the auditors access to the court in t the group's records anywhere

his company "had no exposure to Polly Peck, but we do not want to walk away from the deal. It is an interesting oppor-tunity for us and other Norwe-

gian investors which we don't want to miss."

Polly Peck could not fulfil its itments, it would have to

take delivery of the three Kva-

erner ships anyway, allowing the Norwegian company to walk away from the deal.

Kvaerner to list shares in Lon-don, Page 26

New chief leads restructuring at Sunleigh

The aim is for the ships to be chartered back to PPI Del Monte under a 10-year agree-ment. Mr Tonseth said that if

Mr Mentes said the court

operation, it is generally believed to be the only possible source of most of Polly Peck's extraordinary profits.

Though it is based on the

listed among the Turkish Cypriot companies covered in the

investments in north Cyprus and Turkey MR ASIL NADIR, chairman of

Polly Peck International, issued the following statement in Turkish yesterday in Istan-

There has been a great deal of speculation in the last few days, in the press and public opinion, about the situation of Polly Peck plc in London. Because of this, it has become necessary to make this

"Polly Peck International's investments in Turkey such as the Vestel Electronic Group, Meyna Agriculture Group, and the Sheraton Voyager Hotel are prime and essential for us and will be maintained in the most healthy form in the future with their high performance just as they are

These investments of ours will be specially protected from external interferences and there is no question of their being financially affected by events in London Furthermore no transfer abroad of resources

no transfer abroad of resources from these operations has been made until now and no such transfer is being contemplated.

"My operations in Turkey and the Turkish Republic of Northern Cyprus, along with a healthy future for them, have always come before all else for me. Just as all my efforts until now have been aimed at connow have been aimed at continning my group and personal investments in Turkey and Northern Cyprus in the most healthy fashion, so they will



Asil Nadir: operations in Turkey and Cyprus paramount

continue to be. I want all those who work for us to be reassured by the knowledge of this.

I am determined to continue my struggle, under whatever conditions, conscious of the international political calculations and expectations (which liel behind the curtain of the events we are up against. I am conscious of the serious situa-tion we would face regarding the national Cypriot cause should these [calculations and expectations] be realised. I believe that Turkish public

opinion will be able to make the soundest appraisals in this regard."

deal with Medeva

By Clive Cookson

remedy).

Medeva had acquired these products as part of its 287m takeover of Evans Healthcare

Dr Eric Cliffe, managing director of Boots Pharmaceuti-

Medeva will continue to

Norton calls for £6.5m

By Andrew Bolger

NORTON Group, the motor-cycle and specialist engineer-ing group, has amounced a 15-for-4 rights issue at 20p to help fund the acquisition of a Ger-man fastener manufacturer for a total of \$2.2m a total of £8.2m.

Norton is paying 24.8m for Wardstab, the UK holding company for FUS Beteiligungs-und Verwaltungs, which supplies specialist fasteners to the electrical, automotive and conleave it with cash to expand its core businesses of prescription drugsand vaccines.

sumer durable market.

It is also assuming a liability of £1m owed by FUS and is paying £2.4m for land and fac-

had dropped to 100p before the news of Mr Malins resignation. On Toesday they fell another 27p to 73p, but closed 2p higher

One large shareholder said yesterday, "it is a very unsatisfactory situation. The fall in

the share price since the rights is entirely related to lack of clarity in information." He said

that until details of the new provisions were made clear, the market would assume the

Shareholders are clearly con-

cerned that a group whose core business had been increasing

profits rapidly, and which koled set to profit hundronely from contracts to supply British Rail, the Channel Tunnel,

London Underground and others, might be held back by

s on the non-core side.

tory occupied by FUS in Ger-

In the last financial year FUS made pre-tax profits of DM4.1m (£1.39m) on turnover of DM19.9m. For the first half of this year, the audited turn-over rose to DMIL8m, with pre-tax profits of DM2.5m.

The rights offer, fully under-written by TC Coombs, Nor-ton's stockbroker, will raise a

As the offer price is below the nominal value of the exist-ing ordinary shares, the share capital must be reconstructed.

in receivership

PENNANT PROPERTIES, the

been dependent on the support of its bankers since November Boston-based property group in which it had a 56.3 per cent

Telfos's last accounts, for the calendar year 1989, showed extraordinary provisions of 26.6m against two investments, which, although offset by some gains, resulted in a retained ael Gercke of Price Water-house have been appointed administrative receivers. loss and a transfer from reserves to cover the dividend.

Pennant Props

Property Correspondent

Australian-controlled interna-tional development company, yesterday went into receiver-

1989, when Bay Financial, the

Mr Colin Bird and Mr Mich-

SUNLEIGH, the USM-quoted Surfeigh golf products and electrical goods manufacturer, yesterday Start price mining to the FT-A All-Share Indian

appointed a new chairman and announced a major restructur-ing to focus on leisure activi-ties, while reporting pre-tax losses of £191,000 for the six months to June 30 and passing the divisiond.

Mr David "Sandy" Saunders, chairman of Howmac, the

chairman of Howmac, the industrial management and finance company, has replaced Mr Tony Merryweather, who said he had "agreed to step down from the chair immediately and lend my future support in a non-executive role." The appointment follows Riowmac's purchase of 9 per cent of Sunleigh shares in a vendor placing last April. Mr Saunders joined the board as a non-executive director at that time and had since then been examining ways to restructure. The Huddersfield-based com-

1986 .87 88 89 90

Raddy electrically-operated golf trolleys, said it would con-centrate on laisure products, while bising off its industrial businesses into a new subdidiary called Hallamcrest which would be independently

pany, which makes Powa Chairman and a director resign from Cityvision

CTITYVISION, the UK's biggest video film-hire company, yesterday accepted the resignation of Mr David Quayle, the non-executive chairman who was instrumental in setting the early direction of the fast mov-

ing retailer.

His resignation, and that of
Mr Colin Gervaise-Brazier, a non-executive director, was accepted following "differences of view regarding the future direction of the business," the board said.

Once Cityvision had opened 500 video outlets by the middle of this year Mr Quayle wanted to branch out into non-core businesses like restaurants and one off ventures, said Mr Bev Ripley, the deputy chairman who takes over as acting chair-

Clipvision yesterday said its pre-tax profits would be 30 per cent up on last year's figure of

Cityvision's share price, which has fallen from 81p at the beginning of October, closed yesterday up 1p at 40p. Mr Ripley said there had been a strong feeling among institutional investors that any diversification away from the company's core-business would be

NEWS DIGEST

crest would be expected to restore "acceptable levels of profitability and repay intra-group indebtedness of £5m." It might split into two divisions and was likely to "merge with another quoted group," he said. Sunleigh's shareholding would ultimately reduce from 100 per cent to zero. the red by exceptional items of £853,000 and a decline in trad-ing profits of its industrial products division to £171,000 (2869,000) The company made provi-sions of £400,000 against the possibility of a bad debt, £250,000 for rectifying a compo-nent fallure and £180,000 against stock which it believes

would ultimately reduce from
100 per cent to zero.
Sunleigh would "almost certainly look for another product
to provide cash through licensing, internal development or
acquisition," he said. "It will
probably be a precision engineered product and quits likely
to do with sports."
The company has also estab-

The company has also established Powakaddy Marketing to use its brand name for a variety of purposes including

endorsements.
The changes follow into losees of £191,000, against profits of £1.41m in the comparable half. Turnover fell to £11.12m

sure clothes.

anticipated.

Trading profits rose slightly to 2894,000 (2858,000) in leisure products; which produces the golf trolleys and Associated

it is unlikely to dispose of as

There was an extraordinary debit of £250,000 against losses on stocks and plant as a result of divestment from part of the industrial products division

The loss per share was 0.259 (restated earnings of 3.21p). There is no dividend (0.75p).

Oct. 80 Nov. 6 Oct. 30

The group was dragged into The shares shed 2p to 17p.

SOARD MEETINGS

The following companies have notified daise of board towardings to the Stock Exchange. specime Airhow Bremstree, Slice (II), Per-parent interpolated, Floreing Japanese receitant Trust, Periodic Universal Invest-ent Trust, Petroson, Securities Trust of lections, Taxista. Techibe.
Jenson, Govett Strategie, Majedie
nie, New Fronders Development
gesus, Ramer Techies, LDD,
METERIE BATHS

CO.

	Current payment	Date of payment	Corres - ponding - dividend	Total for - year	Total last year
Minesint		Jan 3	0.33 2	_	1
Pritish Assetsfin	1	den 4	0.875	3.85	33-
rvest Cap Tatfin	1.25	Dec 7	1.1"	4.85	4.25
oversees hav Tatfin	1.65	Dec 21	.1.45 ;	2.4	-2.15
nitfin		Jan 9	5.85	0.0	8.9
bunielgh §int	nli		0.75		3

\$250,000,000

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DY Davies shares fall on warning

DY DAVIES, the USM-quoted group which provides architec-tural and ailled services, is likely to report a loss for the half year to October 31. The shares lost 18p to close at

Shareholders were given that warning at the annual meeting yesterday.

Mr David Davies, chairman, said turnover of three subsidiaries had been greatly reduced by ongoing delays on projects and a slowdown in inquiries. The core business, DY Davies Associates, communed to trade

profitably.

In the first half of 1989 pretax profit was 5633,000, rising to £1.45m by the year-end. Mr Davies said steps had been taken to reduce the cost base. Office space surplus to requirements was being let, and staff numbers had fallen by more than 25 per cent.

Nav falls 22% at **British Assets Trust**

The net asset value of British Assets Trust was 74.6p as at September 30 1990, a decline of over 22 per cent on the previ-

USM. makes and installs All-Share Index.

Barnings per share improved to 4.17p (3.56p) and the recommended final dividend of 1p lifts the total for the year to 3.85p. A total of at least up is forecast for the current year.

At September 30, net asse value per share at Clydesdal Investment Trust had declined to 91.82p, from 106.13p six months earlier and 115.2p at

Earnings per share for the year to end-September rose from 3.11p to 3.45p, and the total dividend is 3.45p (3.1p) with a final of 2.45p. Total income was £843,000 (£794,000) and pre-tax revenue £600,000 (£552,000).

Plastiseal suffers exceptional costs

Exceptional costs hit Plastiseal in the half year ended July 31, pulling down pre-tax profits from £526,000 to £456,000. Trading profits rose 19 per

uPVC, aluminium and wood windows and doors.
Mr Howard Manttan and Mr Mike Price, joint chairmen and chief executives, said the modest increase in operating prof-tin was achieved in a difficult climate and reflected the over-

all strength of the group. Reorganisation taken would enable the group to respond quickly to the increase in demand envisaged in the next six months. Steady progress in profitability should be maintained during the second

The exceptional charges comprised \$111,000 loss through the insolvency of a main contractor and £81,000 rationalisation costs. Earnings fell to 3.7p (4.5p). Interim dividends are initiated with a payment of 1.5p.

Cambridge Group expands by 59% Organic growth and the expansion of international operations boosted Cambridge Group in the six months to

August 31.
This Irish-based financial services organisation saw pre-tax profits expand 59 per cent, from IE1.23m to IE1.96m (£1.77m).

Turnover surged 77 per cent to 1£12.14m (1£8.85m). Mr Colm Menton, chairman,

said the Irish leasing operations grew in line with the market. Trading in all sreas of the business had been buoyant with the exception of tradicharding with the exception of

stockbroking. The two acquisitions, Cambridge Asset Finance, in Preston, and Cambridge Vendor Finance, in Crawley, should be strong contributors to profit in the future. Profits in the second half

should be higher, he main-Earnings came to 2.78p (1.94p) and there is an interim dividend of 0.4p.

First Charlotte net asset value declines

lotte Assets Trust declined further over the six months to September 20 1990 At that date nav came to 9.72p, against 12.18p six months earlier and 15.28p at September 1989.

In the latest half year earn-

Net asset value of First Char-

0.07p, after total income declined to £195,000 (£246,000). **Investors Capital** assets down 20%

Net asset value per share of Investors Capital Trust stood at 91.3p at September 30, a fall just over 30 per cent on the

Total revenue for the 12 onths rose from £17.3m to £18.65m and earnings per share from 4.61p to 4.95p, after tax of £4.16m (£3.91m).

The total dividend payment is increased from 4.25p to 4.65p with a proposed final of 1.25p. The directors said that with current uncertainty in the Gulf

no nearer a concinsion and the likelihood of a further deceleration in the rate of economic growth, the outlook for the UK market in 1991 was less cert-ain than it had been for some They added, however, that the increase in the final divi-dend indicated a minimum

payment of 5p for the year to September 30 1991. Yearlings interest

rate at 134% The interest rate for this week's issue of local authority ings per share fell from 0.12p to bonds is 13th per cent, down the of a percentage point from the last issue two months ago.

> cent a year ago. The bonds are issued at parand are redeemable on October

This compares with 14% per

A full list of issues will be published in tomorrow's edi-



HAMMERSON CANADA INC.

Salting Agents

TORONTO DOMINION

WOOD

GUNDY INC.

quant, formerly Country & New Town Properties, was exposed to the property down-turn that extended throughout its markets in the UE, North America and Americalla. It has

stake, sought protection from its creditors under Chapter 11. In May, it announced In May, it announced interim pre-tax losses of \$4.81m, and passed its prefarence and ordinary dividends. It said that the continued support of its lenders depended on the disposal of two London properties, which were proving difficult to sell.

Mr. Colle Eigh and Mr. Mich.

ons year-end figure of 96.3p. Directors of the trust, part of the Ivory & Sime stable, said the decrease compared with a fall of 17.7 per cent in the FT-A

Clydesdale Trust asset value drops

September 30 1989.

cent to 2625,000 from turnover ahead 44 per cent to 211m. The group, which is quoted on the

COMMODITIES AND AGRICULTURE

By Victoria Griffith

THE SOYABEAN and

soyabean oil markets of Brazil have been thrown into a severe crisis by the economic policies of the new Collor administra-tion Changes in Administra-

tion. Changes in the financial and economic environment -

such as lower inflation, an overvalued cruseiro, elimina-tion of subsidies and scarce

credit to name a few - are

exacting a heavy toll from an

industry that was, until recently, a source of pride. President Fernando Collor de Mello took over last March

after defeating his socialist

The size of the latest crop shrank to 19m tonnes from 24m tonnes a year earlier and

industry forecasters are pre-dicting that the next harvest will be still amaller. Even worse has been the decline in exports, which are expected to

all to a value of \$2.9bm this

year against \$3.50m in 1989. As in other Brazilian indus-

in Sao Paulo

Platinum producer claims it will survive downturn

By Philip Gawith in Johannesburg

RUSTENBURG PLATINUM Holdings, the world's largest platinum producer, will have a market for its expanded pro duction capacity and is well positioned to weather any downturn in the platinum market says Mr Pat Retief, its

Speaking yesterday at the annual general meeting of Rus-tenburg and its sister company Lebowa Plathnum, both in the Johannesburg Consolidated Investments (JCI) group, Mr Retief rejected the view that platinum was "an industrial metal caught inevitably in a web of world-wide recession, with consumption reducing yet smally increasing."

supply increasing."

The platinum price was recently driven down to \$389 a troy cunce, its lowest level in four factors behind the bearish

Sentiment:

 The belief that platimum, a vital element in controlling exhaust emissions from cars, would be consumed in smaller

quantities as world recession out union car sales.

• Lower Japanese purchases, particularly in the important jewellery sector, because of the

 Potential investors in platinum preferred to invest in interest bearing deposits.
 Fear that increased productions of the production of the producti tion by South African produc-ers would soon lead to sur-

Mr Retief sought to rebut each of these points. Regarding the car industry, he said: "tighter emissions legislation is already requiring the US auto industry to use more PGM (platinum group metal) per vehicle and we predict that these blocks the district that the best blocks to the control of dict that these higher loadings will at least balance any reduc-tion brought about by lower

Even more important, he said, was the fact that "at pres-ent only 30 per cent of current production of automobiles in western Europe are fitted with catalysts and by 1998 when legislation will require that all new vehicles are so equipped, extra demand will approach 500,000 ounces."

Regarding Japanese jewel-lery demand, the second larg-est sector, Mr Retief said sales continued to rise with 1990 see ing a new record consumption of 38-39 tonnes, some 100,000 ounces higher than in 1989. Mr Retief conceded that investors had recently avoided platinum, but stressed that "investment is an insignificant consumer of physical platinum today." He said investment demand in 1989 was only 5 per cent of total demand and that figure arould reachely fall to 2 figure would probably fall to 2 per cent in 1990.

He agreed that the increased supplies by the mid-1990s would lead to a more competitive market, but felt that Rustenburg and Lebowa were well

protected from any downturn by virtue of being low-cost pro-ducers and having access to strong marketing and distribu-

as in other inflation exposed weaknesses in the soyabean market that had previously been masked by the profitmaking opportunities presented by the fast-falling cruzairo, since costs were met in devalued local currency while foreign currency returns rose measured in domestic units. Profits from hyper-inflation were translated into over-investment in plant capacity, which has reached a level of about 30m tonnes a year. Quite

simply, there are not enough soyabeans grown in Brazil to keep all that plant employed. In an attempt to cut the fat, soyabean companies have begun to close down some of Africa, suggested recently that the so-called "taughter approach" demanded by the current gold price would inevi-tably spill over to the profit-able South African mines, and their less profitable plants. Copaza has failed to put into operation a recently constructed factory in Dourados and Cargill closed one of the plants it acquired last year

the 12 leading mines are already highly competitive in world terms. from OK Group.

Many of the plants that are being eliminated are located. far from Brazil's ports, although deterioration in rall-way and road transport in Bra-zil has exacerbated the soyabean sector's problems. Keeping down transport costs is essential for the soyabean industry, whose products are extremely heavy and this is especially true of heavy soya Colombian coffee stock estimates vary

powder producers.

Over the past four decades, sovabeans have enjoyed vast duction surging to 19m tonnes from just 457 tonnes in 1941. Through cost-cutting, the industry hopes to recuperate some of the heavy losses it has suffered in recent months and it may be helped by relatively stable interestional series. in figured in recent munits and it may be helped by relatively stable international prices, which have hovered between \$220 and \$230 a tonne this year.

Global warming could cut | EC close to Soyabeans feel pinch cereal crops, study warns after Brazil policy shift

WORLD CEREAL production could fall by 5-10 per cent by about the year 2030 as a result of global warming, a leading expert on the effect of climatic change on agriculture said yes-terday.

Mr Martin Parry, professor of environmental mana at Birmingham University, was speaking on the publication of a book dealing with global warming and world food pro-duction. Mr Parry was the leading

author of a study prepared on this subject for the United Nations sponsored Inter-gov-ernmental Panel on Climate Change, which is due to report Change, which is due to report to a large ministerial conference in Geneva next week.

Warmer, dryer conditions could cause losses in agricultural production of 10-30 per cent by about 2030 in mid-latitude "bread-basket regions", such as the US Great Plains, the Canadian Prairies, the north European lowlands, the Soviet Ukraine, the Australian wheat belt and the Argentine pampas, the book says.

pampas, the book says.

The US alone could suffer falls in the net value of agricultural output of \$33bn annually, with the largest reductions in sorghum (20 per cent), maize (13 per cent) and rice (11 per Some high latitude regions

in the northern hemisphere,

such as northern Europe

would increase their output substantially due to wetter, warmer weather. Mr Parry calculates that each one degree centigrade increase in average warming will shift the bound-aries for growing crops 300 kilometres northwards. A warmer climate could therefore increase annual rice production in Japan by about 3 per cent, while agriculture in Scandinavia might gain more

than any other region.

However, the book argues that these gains will not be sufficient to compensate for losses in other grees. The regions at most risk

from climate change, Mr Parry says, are arid and semi-arid areas, such as the Sahel and the Horn of Africa. In Kenya,

for instance, an increased fre-quency of dry years could reduce yields of maize by 30-70

per cent. Mr Parry said yesterday that this could result in more famines in, and mass migrations from, those areas that are already vulnerable.

He accepted that there were many uncertainties about regional projections, but defended his work as the best estimates of what would happen if no action was taken to combat global warming. The UN-sponsored scientific assessment, published this summer, said that global temperatures would increase by 1.1 degrees C by about 2030 in the absence of countervailing action.
Mr Parry also acknowledged the belief of some scientists that warming could increase

food production, but he suggested that this would be an unlikely outcome. an unitary outcome.

Climate Change and World
Agriculture by Martin Parry.
Earthscan Publications, 3
Endsleigh Street, London
WCIH ODD. Price 19.35. ban on US meat sales

POOR HYGIENE in some US slaughterhouses could lead the European Community (EC) to ban some American meat imports next month, EC offi-cials said yesterday reports Reuters from Brussels.

EC inspectors carrying out normal twice-a-year inspec-tions said they found rotten kidneys and liver stamped as approved for export. Checking of animal carresse was simply of animal carcases was simply not up to scratch, the EC veterinary committee said in a statement after unanimously recommending the ban.

An official said that the EC had been criticising US hygiene standards since 1983. It is envisaged to ban pork imports on November 1 and

beef imports would stop next January 1. The full EC Com-mission has yet to approve the move, but is expected to do so.

The advice followed routine inspections of US fresh meat plants confirming that hygiene was not up to community standards, an EC official said. US pork exports to the EC

were worth \$13.5m last year and beef exports were worth

Gold miners dig only rich ores

By Kenneth Gooding, Mining Correspondent

LATEST REPORTS from the South African gold producers show that many are being forced by current low prices to "high grade" or concentrate on the recovery of richer and more easily accessible ore.

High-grading over the longer term can reduce the chances of lower grade ores eventually being mined and will often aborten a mine's expected life. However, Mr Graham Birch, an analyst with Ord Minnett,

suggests that this action by South Africa's higher-cost mines "is a necessary and sensible response to reduced profitability: but it shows the stress the industry is under at the moment. There is no doubt that real pain is being felt in the South African gold mining industry at current gold prices."

It has been estimated that about half of South Africa's gold mines, responsible for roughly a quarter of that coun-

try's output would be unprofit-able at today's gold price,

COLOMBIA'S Private Coffee Exporters' Association has estimated that the country's coffee stocks stood at 'an lags (60 kg each) at the end of September, of which Lam bags were of corrected to consider the control of t

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unless they took some action such as high-grading or cutting their output. Those mines without the

flexibility to raise grades will be faced with tough closure decisions soon," says Mr Birch. One of the most significant examples of current high grading is the Anglo American Corporation's Freegold mine, the world's largest gold producer but one that is relatively highcost. Anglo's latest quarterly report shows Freegold raised its grade by more than 10 per cent which pushed up gold pro-duction by 105,000 troy ounces beining to restore the mine's profitability.

profitability.
East Rand Proprietary
Mines, a personnial loss-maker
at much higher gold prices than today's, raised its ore grades last quarter by a huge 32 per cent. In Mr Birch's words: "this turned a moster loss into a reasonable profit." Among those mines which cut output to increase profit-ability were Western Areas,

4.83m bags, all of it exportable.

The federation estimate included coffee in its warehouses, process plants, with

exporters and at ports. The

association estimate was only coffee in federation ware-

houses.
The association reckoned

exportable coffee production in 1990-91 (October-September) at

between 11.7m and 12.6m bags.

down by 12 per cent in the latest quarter, Buffels, down 10 per cent, and Grootvile, down 24 per cent.

Anglo American Corp has also given a warning that it may defer the development of its proposed Moab gold mine in South Africa, Mr Julian Oglivie Thompson, the chairman, said: You wouldn't want to launch into a major project such as Mosh if you're feeling uncom-fortable about the gold price." Mr Robin Plumbridge, chair-man of Gold Fields of South

Closure of shafts where mining is uneconomic seems unavoidable," he said. All this would lead to redundancies in the industry, Mr Plumbridge

ity at 11.7m bags if production

only fresh coffee was exported, or as much as 13.9m bags if

estimate and stocks were used.
The amount of exportable
stocks is vital to determine
whether Colombia can continus exporting coffee after the
breakdown in July 1969 of the

ICA export quotas.

stocks at October 1 totalled R put Colombia's export canac-

Indian cotton yield to exceed 15m bales

By Kunni Bose in Calcutta

INDIA IS set to harvest a record cotton crop of just over 15m bales (170 kg each) and could export anything up to 2m bales during the 1990-91 season. (September to August).

Last year, when the crop was about 13.4m bales, the country sold nearly 1.5m bales abroad for about Rs6.5bn (£180m). Although the global cotton supply situation has improved in the current year, Indian offi-cials believe it should be possi-ble to earn Rs10bn from exports in 1990-81.

in the first phase, coinciding with the commencement of arrival of new season cotion, the central government has the central government has sanctioned an export quota of 500,000 bales of cotton plus 25,000 bales each of yellow pickings and soft cotton waste and 100,000 kgs of hard cotton waste. As the season progresses and arrivals of cotton with in momentum, further gain in momentum, further export quota releases will be

Officials admit that without exports of the order of 2m bales, cotton prices may col-lapse in village markets. Official support prices for cotton in the current season have been raised by 9 per cent to offset the rise in cultivation

WORLD COMMODITIES PRICES

Almodalam, 98.7% suchr (\$ per toppe)

Copper, Grade & Prior toront

Cash 1915-29 3 months 1775-7

Leed (E per tonne)

Makel (S per tome)

Cmph 6775-820 3 mousine 8425-80

Tto (8 per tonne)

sharp fall in prices.

Excellent weather conditions in most growing areas and an increase in land under cultivation have combined to produce

the record crop. Encouraged by good returns last year, Indian farmers have grown cotton on 8m hectares, compared with 7.5m hectares last year. India has the largest area under cotton, but because of the use of low quality seed and antiquated farm practices, its yields are less than half the world average.

Including the opening stock of 3m bales, the total supply of cotton in 1990-91 will be 18m

cotton in 1990-91 will be 18m bales. The textile mills' requirement is estimated at about 11m bales, while non-mill use will at the most be 700,000 bales.

After providing for export of 2m bales the stocks to be carried forward to next year will be 13m bales. Text and stocks may be still higher if crop estimates are revised upwards wille the season progresses, as

while the season progresses, as happened last year. Emboldened by two consecutive bumper crops, the Indian government has taken a policy decision that every year a min-imum of 500,000 beles of cotton will be exported. Indian authorities have finally real-ised that the interests of growers could best be protected by exporting part of the crop.

(Prices supplied by Amelgameted Metal Trading)
or AM Official Kerb close Open Interest

Total daily turnover 20,149 lols

Total delik izmover 2175 less.

109,767 lots

10,538 lots

7,487 lots

Aluminium 'never waste'

INCLUSION of aluminium scrap in the European Commission's waste directive was "incomprehensible", Mr Jan Schothorst, president of the Aluminium Federation, said in a speech prepared for delivery at the federation's annual dinner in London last night. He said aluminium was the most successful recyclable material and added that "any attempt to impose regulations designed for real waste onto a

material as valuable as alumin-

"the most valuable raw material for our industry and should not now or ever be regarded as waste, Mr Schothorst insisted last night. "It can be used to produce

ium can only be to the detri-

ment of our recycling initia-

Aluminium for recycling was

aluminium cans from old cans, motor car components from old motor car components, window frames from old window

CORRECTION

Yesterday's survey

A PRODUCTION error regulard. in four lines being lost from the introductory article to the Aluminium survey, which appeared in yesterday's FT. The four affected paragraphs should have read as follows:

"Some analysts, after review-ing plans by Japanese and other automotive groups, are forecasting that the use of alu-minium in the average USbuilt car, 169lbs last year, will jump to 600lbs by the year 2000."

minium products which lend themselves to "closed loop" recycling programmes, bever-age cans and automotive cast-ings among them. More than 75 per cent of the aluminium used in cars today is recycled metal.

The aluminium industry is cartain it will benefit as more and more new products are designed with recyclability in mind."

"But back in the early 1980s the aluminium and car industries began working on longer-term projects involving vehicles which would be made almost entirely from aluminium: "space frames" of the metal on which panels of aluminium, steel or plastic could be welded or bonded."

working with Audi, the up-market part of the Volkswagen group, on an all-aluminium competitor for the BMW 7-se-ries and the Mercedes S-class

exportable quality Reuters reports from Bogota. However, this estimate conflicted with figures from the semi-governmental National Coffee Growers' Federation. one of whose officials said

MARKET REPORT

COCOA PRICES added to Tuesday's gains yesterday, with the March position on the London Futures and Options Exchange ending £18 up at £729 a tonne. Traders said the maye reflected nervousness over the political situation in Ivory Ceast, where presidential elections are to be held on October 28 "New York came in strong this afternoon, which also helped to boister mrices," one added Robusta cones futures were described as "quietly mixed" after absorbing recent fund setting. The January position closed £5 up at 2585 a. Exchange, copper prices closed

London Markets

SPOT MARKETS		
Crude oil (per barrel POB)		+ 01 -
Dubel Brent Bland (dated) Brent Bland (December) W.T.J. (1 pm ast)	\$25.85-5.95y \$29.85-9.95 \$29.30-9.40 \$30.30-0.40y	+0.80 +0.80
Oli products (NWE prompt delivery per k	one CIF)	+ or -
Premium Gasoline Gas Oil Hesvy Fuel Oil Naphthe Petroleunt Argus Suimains	\$333-838 \$277-279 \$120-124 \$300-305	+10 +7 +6½ +20
Other		+ or -
Gold (per troy az) Silver (per troy az) Pietigum (per troy az) Palladium (per troy az)	\$571.75 4240 \$424.5 \$94.75	-0.25 -2 +2.5 +0.25
Algorithm (free regress) Copper (US Producer) Lead (US Producer) Nictol (free market) Tin (Kusta Lumpur market) Tin (New York) Zinc (US Prime Western)	\$1925 1380 500 4190 16.49r 2890 700	+10 +5 -10 +9.08
Cettle (live weight)! Steep (deed weight)! Pigs (live weight)!	100.72p 126.13p 69.79p	+1.16" +5.44" -4.77"
London daily sugar (raw) London daily sugar (white) Tate and Lyle expert price	\$255.0q 3911.0q 9239.5	-9.0 -6.0 -6.0
Berley (English fied) Maize (US No. 3 vallow) Wheat (US Dark Horthern)	2118v 2167.25 291	

Coconut oil (Philippines): 2300q
Pulm Oil (Mainysian): 3302.5q
Copra (Philippines): 2100
Soyabeans (US) 2141.5
Cotton "A" Index 82.40c
Woottops (64s Super) 400p c-cents/lb. r-ringgil/log. q-Nov/Dec. 1-lan. si-Oct/ Dec v-Nov. w-Oat/Nov z-lan/Mar y-Dec. thiest Commission average latetock prices. * change trom a week ago. Whondon physical market. SCIF Retierdam. & Buillon market close. m-Ma-laysian contacks.

Rubber (Nov)♥ 50.50p Rubber (Dec)♥ 50.25p Rubber (KL RSS No 1 Nov) 297.5m

higher for the fifth day in succession, but the three months position's apparent £13 rise actually took place in after-hours trading on Tuesday. And in after-hours trading yesterday the price slipped £4 to £1,383. Traders New York market rain up against a chart barrier close to 123 cents a ib for December futures. Other LME markets were little changed, with the exception of nickel where sporadic commission house liquidation pushed the three months price down by \$225 to

	\$8,43	7.50 a t	onne an	d the cash	
			low \$9,00 from Re	00 a tonne.	
					_
	SUGAL	l ~ Lond		(5 per tonné	2
_	Plant	Close	Previous	High/Low	_
_	Des	225.00	222.00	221.00	
f -	Mar	219.80 220.40	218.60	220.40 216.60 221.40 217.20	
96	May	222.80	221.80	222.80 219.40	
56 10 10 25	Oct	223,60	222.50	224.00 222.60	
90	Dec	224.00	223.00	220.00	
	Mur	224,80	225.00	225.00	_
36° -	100	Close	Previous	High/Low	_
_	Dec	303.0	304.5	305.0 301.0	_
•	Mar	300.0	299.0	-301.0 297.5	
2	May	300.7 303.0	298.5 302.0	301.5 294.5 303.0 296.0	
ī ·	Aug	294.0	293.5	294,0 290,7	
	Dec	292.5		291.0 200.5	
_	Mar	294.0	293.5	292.5 290.0	
7 -	Turnov	er: Rasw18	80 (2041) k	de of 50 tonnes.	-
S .	White 3	278 (1456) ' '		
5 25	Paris- V	White (FFT 26. Aug 1	per tonney: 545, Oct 18	: Dec 1 525 Mar 1818 15	•
***	_				_
1	CHUDI	1 OH 1		\$/ретте	ı
		Clos	e Previo	us High/Law	_
	Onc	29.06	28.31	30.30 28.40	-
06	Jun	29.06 29.06	28.31 27.30	30.30 28.40 29.29 27.45	-
06	Jan Feb	29.00 29.00 28.20	28.31 27.30 25.60	30.30 28.40 29.29 27.45 28.05 27.50	-
	Jen Feb Mar	29.00 29.00 28.20 27.00	28.31 27.30 28.60 25.60	30.30 28.40 29.29 27.45	-
15"	Jen Feb Mar IPE Ind	29.06 29.06 28.20 27.00 esc. 28.33	28.51 27.30 28.60 25.60 28.13	30.30 28.40 29.29 27.45 28.05 27.50	-
15"	Jen Feb Mar IPE Ind	29.00 29.00 28.20 27.00	28.51 27.30 28.60 25.60 28.13	30.30 28.40 29.29 27.45 28.05 27.50	-
	Jan Feb Mar IPE Ind Turnovi	29.00 29.00 28.20 27.00 00 28.50 00; 26851	28.51 27.30 28.60 25.60 28.13	30.30 28.40 29.29 27.45 28.05 27.50 28.85 28.95	-
15"	Jan Feb Mar IPE Ind Turnovi	29.00 29.00 28.20 27.00 00 28.50 00; 26861	28.31 3 27.30 28.80 25.80 7 28.13 (22035)	30.30 28.40 29.29 27.45 28.05 27.50 28.85 28.96	-
15"	Jan Feb Mar IPE ind Turnovi	29.96 29.06 26.30 27.06 28.33 or; 26861 (T PUTU)	28.31 27.30 28.60 25.60 25.80 7 28.13 (22035)	30.30 28.40 28.29 27.45 28.05 27.50 28.86 28.95	
15"	Jan Feb Mar IPE Ind Turnovi	29.00 29.00 26.30 27.00 0M 28.33 0T; 26861	28.51 27.30 28.60 25.60 25.60 28.13 (22085)	30.30 28.40 29.29 27.45 28.05 27.50 28.85 28.96	
15"	Jan Feb Mar IPE ind Turnovi	29.96 29.06 26.30 27.06 25.33 97: 26861 (T FUTUR Cisses	28.31 27.30 28.60 25.60 25.60 25.30 28.13 (22095)	30.30 28.40 29.29 27.40 28.05 27.50 26.05 28.95 8 318/Index point High/Low 1310	

1328 1336 Turnover 228 (595) WOOL With Australian support purchases still around 70%, all other sources hover more or less well below the reserve prices which insure such huge merchal burrows to Australia. Year at prices well below the Australian floor, suction observances electwhere are very low. This is evidence of the vest problem of over-supply in the world wool market. Despite Australian efforts prices still tend to soften. Lower interest and exchange rates there have been a cause of the most recent reductions. Trading throughout the world industry is highly competitive, hand-to-mouth and activity is well below normal.

00006 - London POX 886 669 730 712 758 746 777 799 601 792 825 520 857 Turnover:3555 (3355) lots of 10 teames ICCO indicator prices (SORs per torms). Daily price for Oct 23 897.83 (853.61) 10 day average for Oct 24 897.85 (800.85) Close Previous High/Low 588 559 585 1177 572 568 680 576 563 580 572 581 567 565 572

Jui	597	581 584	597 595	
Turnova ICO inc Oct 23:	er: 7810 (Scator pr Comp. d	5806) lots of ices (US c lefty 72.98 (d 5 torines ents per pour 73.139. 15 des	nd) for
aga 74.	32 (74.30))		
POTAT	OSS - S	-		/lowne
	Close	Previous	High/Low	
Apr May	137.5 157.0	141.4 160.5	141.0 137.0 189.5 159.9	
Turnove	or 258 (30	(3) lote of 4	O tonomi.	
BOYAR	EAN EE	AL - SPE	2	Monne
	Close	Previous	High/Low	
Dec	111.50	110.50	111.50	
Resi	125.00	124.50	123.60	
Apr Jun	126.00 124.50	120.00	126,00	
Aug	126.00		120.00 126.0	1
Типпоч	r 103 (19	O) tota of 2	O formés.	
DAS 01	L - 94			Acene
	Close	Previous	High/Low	
Nov	265.00	257.76	268.00 258.50	,
Dec	259.75	250.00 242.00	252.00 249.00 253.60 242.00	
Jen Feb	262.75 240.50	231.50	100 P 250	2
Mar	228.00	220.00	228.00 227.0	9
Apr	212.50	207.00	200.00 210.00	
iunovi Iunovi		15842) lots	of 100 toppes	_
				Zonee
اللباة) — 177			/A/1940
Wheat	Ciose	Previous	High/Low	_
Nov	114.45 118.80	114.75 119.20	114.90 114.4	
Jen Mer	122.50	122.75	122,90 122,5	
May	125.90	126.20	2.5 010	9
Barley	Close	Previous	High/Low	
Nov	112.95	113.05	113.15 112.70	•
Jan Mar	117.45 120.50	117.55 120.70	117.75 117.20	
Turnove	r: Wheat		Barley 221 (14	
H0\$ -	BFE	(C)	sh Settlemen	والم
	Close	Previous.	High/Low	
Nov	99.0	100.0	3.60	
Jan	93.0		92.5	
Reb	95.0		94.5	

COM I (I'M MICE) MARCH Close \$7112-872 Opening \$7214-87216 Morning Bz \$71.18 Alternous Ex \$71.10 Day's high 372%-378% Day's low 370-370% US cts equiv 217.10 224.80 231.75 245.45 422,85 431,55 439,75 457,10 Jan Mar Jan Mar 49 28 15 12 36 73 Cocce Due Mar Dec Mar 102 12 71 38 47 74 23 42 (B) Dec Jan Dec Jan 179

New York 877LB 873LB 378.0 380.1 363.8 367.8 391.7 396.7 398.8 871.2 871.7 573.9 578.0 1811.7 386.7 383.6 387.7 4223 4280 4280 4383 441.8 447.8 462.7 462.6 465.4 425.3 435.1 447.4 453.5 462.4 465.2 129.00 132.20 124.05 128.15 120.45 122.05 117.06 113.05 113.15 115.05 112.06 113.80 110.90 112.95 110.00 110.55 100.00 100.58

19,133 lots PLATINUM 50 troy as; \$7troy as. 492.4 0 427.9 433.4 436.4 443.9 SELVEN ALDER STOP OF CHIRACTORY OF 0 436.0 M/L # 448.5 463.0 463.0 0 INCH GRADE COPPER 25,000 lbs; cents/lbs. Close Provious High/Low 132.00 125.00 122.50 118.60 124.50 120.20 118.00 112.80 115.00 0 . 112.80 0 110.70 111/15 0 109.30

HEATING OIL 42,000 US galls, cents/US galls 8199 8083 7686 7486 7125 6858 6676 9518 COFFEE "C" 37,500tbs; cents/lbs Nac 82.00 91.80 May 96.40 96.40 May 96.00 97.80 Jul 99.95 99.70 Sep 102.00 101.95 Osc 194.75 104.95 May 108.90 108.26 Close Previous High/Low COTTON 50,000; cents/lbs Close Previous High/Low 74.88 74.84 75.20 75.25 87.85 86.55 67.50 GRANGE JUICE 15,000 lbs: cents/lbs Close Previous High/Low T19.00 T14.30 113.40 109.80 TUL75 110.50 113.40 110.50 113.40 110.50 Nov Lipi Mer Mer 115.00 109.66 110.50 112.00 112.00 119.00 114.60 115.00 MOICES 20W JOMES (Base: Dec. 31 1974 = 100) Oct 23 Oct 22 mnth ago yr ago

CRUDE Off. (Light) 42,000 US gails S/berre! Chicago SOYAREANS 5,000 by mint corre/80th bushel Previous High/Low SOYABEAN OR. 60,000 lbs; cents/lb SOVABBAN MEAL 100 tone: Ston 186.5 184.3 186.6 189.8 191.2 183.0 182.5 188.1 Close Previous High/Lon WHEAT 5,000 bu min; cents/60th-bushel Clase Previous High/Low 264/6 279/0 286/6 290/4 293/6 305/0 278/0 265/0 289/2 293/0 305/0 LIVE CATTLE 40,000 lbs; cents/lbs Previous High/Low 77.77 LIVE HOOS 30,000 lb; cents/lbs Hlgh/Lo 53.82 50.67 47.42 51.20 51,42 50.05 46.30 63.76 50.60 47.40 51.07 51.30 49.90 45.22 50.85 47.57 51.20 51.55 50.17 45.45 47.75 51.30 51.50 50.05 46.60 PORK BELLIES 40,000 lbs; cents/lb Close Previous High/Low

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LONDON STOCK EXCHANGE

Nervous market waits for ICI figures

THE RECENT revival in optimism on the UK stock market was put into reverse yesterday by new reports of recess-ionary pressures on the British economy, together with a renewed rise in crude oil prices which took Brent North Sea for December delivery above \$30 a barrel. There was little selling pressure, but the FT-SE Index moved on the downside

throughout the session.

Concern about the outlook
for UK corporate profits focused around prospects for ICI, Britain's highly-rated blue chip chamical company, which reports third quarter earnings today. The immediate trend for the market will probably be set

Accoun	t Dealing	Dates
True Dealingue Oct 8	Oct 22	Nov 8
Option Declared Oct 18	one: Erri	Nov 15
- Last Dealings; Oct 19	Nov 2	Nov 18
Account Days Oct 29	Nov 12	Nov 25

by the ICI trading report, according to City analysts. The market's fragile confidence was shaken at the open-ing by publication of the latest survey of opinion by the Brit-ish Chambers of Commerce which reported that UK busi-ness was suffering a "severe recession" and an unprece-

dented fall in home order The news coincided with a visit to the Edinburgh invest-ment community by RTZ, which reportedly supported the Chambers' views. With Tokyo and New York both lower over-night, London opened sharply off and although a brief rally on the back of bear closing operations reduced the mar-ket's fall for a time, it gave only temporary relief and left

equities on the downtrend.

The market drifted lower again as London sensed an unimpressive opening to the new Wall Street session - the Dow Average was just 4 points up in London hours. At worst,

the Footsie was 18.7 down with the 2,100 mark only eight points below. Internationals were unsettled at the close by reports that a small US bank had filed under Chapter 11 of the US bankruptcy laws. A late and unconvincin

rally left the FT-SE at a final reading of 2,110.5, a loss on the day of 16.5 points. Sean volume increased sharply to 467.5m shares from 375m in the previ-ous session. The most signifiin Beta stocks and reflected successful placing of the 20.6 per cent stake in NSM, the coal processor, sold by Anglo Most market strategists

The balancing rises and falls in the Racal twins and Cable and Wireless continued. Racal

Electronics hardened 1% to

164p on a 6.2m turnover, Racal Telecom picked up 7 to 278p and Cable lost 5 to 415p,

reflecting concern over the government's forthcoming duopoly review into Cable's telecommunications sector.

The decline of Siebe was

stemmed on a turnover that

one marketmaker described as

the highest he had ever seen in the stock - 4.3m shares were

Brokers Hosre Govett and

Smith New Court were both hig buyers of the stock. Mr Mike Tampin of Hoare said: We feel that the sharer had

been oversold. They have come back a long way." McKechnie, the plastics and

metal components group, picked up 11 to 210p despite the announcement on Tuesday of a

28 per cent drop in pre-tax profits. The market was persuaded by comments from the chair-

man, who said the company bad wanthered the worst. The announcement that Pan Am, the US Afriine, is selling in US-UK routes to United Air-

lines created nervousness over

FT-A All-Share Index

day, rising 5 to 228n. Analysis said the long rum of selling seemed to have dried up and investors were beginning to

hope that the group may soon be able to sail one of its major

property developments. The oil majors were steady

to firmer as the price of December brent crude rebounded above \$30 per harrel on renewed feers about tension in the Gulf. Lazmo was the stronger

gest performer, gaining 6% to 438%p in reaction to its large decline last week, shell was unchanged at 459p, while BP was off 1% at 338%p.

Among the stores, King-fisher added 3 at 398p after UBS Phillips & Drew reinstated its buy stance. UBS said King-fisher had the lowest rating of

the majors in the stores sector and would be the most senidtive to any further reduction in

Citivision, specialists in the distribution of pre-recorded

cassette tapes, announced the resignation of its non-executive

chairman and a non-emeutive

chairman and a non-ensentive director following differences regarding the future direction of the company. However, the share price ended a penny higher at 40p, helped by the company stressing that its cash resources and low gearing leave it wall placed to increase its market share. Breat Walker moved up 4 to

Brent Walker moved up 4 to

78p as the Director General of Fair Trading issued a merger notice in respect of the pro-posed acquisition by Harestock of Goldcrest from Brant

Caird, the waste manage-ment company, reacted 7 to 47p as Severn Trent Water lapsed

its 100p a share cash offer for the company. Severa has

showed little surprise at yester-day's downturn which they attributed to nothing more attributed to nothing more than the unwillingness of the institutions to put more cash into directly into the stock market which continues to lack liquidity. There were hints of a rights issue in the offing from a leading company and fund managers were inclined to hold on to their investment cash; they know that it is easier to pick up lines of good quality stock by particof good quality stock by partic-ipating in fund-raising offers than by trying to buy through the Seaq system in the open market. London market mak-ers are still keeping their trad-ing books tight.

74.13 (30/4) 83.80 105.4 50.53 (30/4) (28/11/47) (3/1/75) 1968.3 1510.4 2008.8 49.4 (3/1) (24/9) (5/9/89) (28/8/40) 163.2 734.7 43.5 (15/6) (15/2/83) (26/10/71) FIGE 100 Shore 2110.5 2127.0 2102.0 2089.0 2082.6 (3/1) Ord. Div. Yield Earning Yid %(half) P/E Ratio(Net)(命) Basis 105 Govt. Sees 15/19/26, Fixed int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 105 FT-SE 100 51/12/83, & Nii 9.79 10.04 18,510 20,827 795.79 19,563 482.4 GILT EDGED ACTIVITY Oct 23 Oct 22 Day's High 1650.6 Open 9 am 18 am 18 am 18 42.0 1 pm 1839.1 3 pm 4 pm 1848.6 1840.7 1842.0 1839.1 1837.1 Open 9 am 10 am 11 am 12 pm 1 pm 2110.5 2 pm 2110.4 2110.5 2110.5 2110.4 2110.5 London report and latest TRADING VOLUME IN MAJOR STOCKS

Nervous selling of M&S SPECULATION that Marks

and Spencer, the UK high street clothing and food retailer, may warn of weaker sales growth in next week's interim statement depressed the shares. The price was also hit by suggestions that two securities houses had lowered profit forecasts, although this Marks itself would make no

comment, and many market participants were sceptical of the reports. "Every year we get these rumours and every year they are unfounded," one ana-The shares finished 10 lower

at 232p on busy turnover of 7.7m. The interim results are due next Wednesday and analysts' forecasts range from £223m to £235m, compared with

Smiths record

Smiths Industries, the UK acrospace to medical group, dazzled the market with record profits of £120m (against £111.7m), although this was partly due to provisions for rationalisation being treated as an extraordinary item. Never-theless, the second-half performance was stronger than anticipated in spite of product introduction costs in the US. The shares furthered recent gains to close 8 up at 205p on volume of 8.7m. County NatWest analyst Mr Pete Desphion said the group has demonstrated its ability to

tailor businesses to prevailing conditions and has ample cash and strong cash generation
with which to do this. The to fishm from fi25m on the back of a stronger civil zero-space performance and contin-ued improvement in the medical division. It believes for longer term investors that Smiths' shares represent excel-

Trafalgar attack Market speculation of prob-lems with the joint venture

construction of the Dartford Bridge project over the River Thames, east of London, sent Trafalgar House shares into steep decline. Claims that the foundations of the hridge were too close to the Dartford Tunnel were firmly rejected by a spokesman for Trafalgar House, who said: "I am delighted to say this is not the Actively traded before the early afternoon denial, Trafal-

gar shares momentarily raiffed before turning down again. They closed near the day's lowest at 190p, down 13, after trad-ing volume of 4m shares. A researcher thought yesterday's volatility was a further demon-stration of the market's nervousness over whether or not the final dividend will be main-tained. But a marketroaker was more forceful, saying: This smells of yet another hear raid on the stock.

The gloomy views of British business disclosed in a detailed UK Chambers of Commerce survey added to the clouds already hanging over the market's international stocks in the wake of Britain's entry to the European exchange rate mechanism at a sterling exchange rate regarded as too high by some snalysts. ICI gave further ground ahead of third-quarter trading

results due today. The shares, which have already fallen by about 4 per cant over the pre-vous week, gave up a further 6p to 841p yesterday. Analysis still expect ICI's overall perfor-mance in the quarter to be weak, and some profit fore-casts range down to around £170m pre-tax, compared with £306m for the comparable period last year. County Nat-West believes that the fourth quarter could bring further dis-appointment as oil prices and adverse currency rates bite, and it forecasts a full year ICI profit of only £1.08bn, or roughly one-third down on the 1989 outcome.
The shift to a sall recomm

dation by BZW caught up with BOC shares, which fall 19 to 482p, although trading volume was no more than moderate at 1m shares. The stock is consid-ated to have overperformed. ered to have overperformed

Since the onset of the Gulf crisis the oil and gas sector has significantly outperformed the rest of the UK stock mar-lest. The advance began in July as the dispute between Iraq and Kuwait generated a mod-est rise in oil prices. That accelerated with Iraq's invasion of Kuwait and energy prices rallied strongly. But the subsequent fall in crude prices sparked a recovery in the rest of the equity market and encouraged profit-taking in oil shares. Since early October the sector has lost some of its premium rating.

against the market ahead of the full year results due on

November 12.

Among dollar-earning stocks, Glaxo weakened 18 to 774p as worries revived over sales of Zantac, its star product Also easier was Wellcome, 6 off at 502p.

BAT Industries weakened 17 to 559p, reacting sharply to the news that Sir Mark Weinberg

is quitting RAT's Allied Dun-bar subsidiary, Britain's larg-est unit-linked life assurer and largely Sir Mark's own cre-The banking sector was

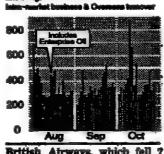
lower on renewed worries about the health of the US banking system. Lloyds was off 7 at 272p, while Midland eased 5 to 1950 and Barclays declined 3 to 369p. Kleinwort Benson fell 6 to 278p after Excell Com-munications, went into receiv-erahip. As its main banker, Kleinwort is thought to have outstanding loans to Excell

worth more than £10m.

NSM, the coal mining and processing concern, het 1½ to 72½p after news that Anglo United has sold its entire shareholding of 47.9m shares, representing 20.6 per cent of the ordinary share capital. The proceeds of some £32m will be proceeds of some £32m will be used to remove some of the company's outstanding debt. Tilbury Group moved up 22 to 495p on favourable comment, as did Countryside Propment, as did Countryside Property, finishing 6 better at 31p.

De La Rue, the specialist printer released recently from the hold of Maxwell Communication, was one of few Beta stocks wanted by institutional investors. They found supplies limited at the lower levels and the price advanced to end 9 up at 270p, before the business was satisfied.

Equity Shares Traded Turnover by volume (million)



to 147p on fears that a market-ing agreement that BA has with United could suffer. Rights issue rumours sur-rounding P & O were largely discounted, but the stock

numel's service link and the forthcoming finance agreement boosted Eurotunnel by 35 to 480p.
Associated British Ports gained for the third successive

Values (Seeing Day's DEC's Price phases Victoria Citating Day's Maloma Cleaking Day's 200's Price theses

appealed over the Takeover Panel's ruling against an immediate lower offer. Mr Peter Linacre intends to step down as chairman of Caird to concentrate on day-to-day mangement as chief executive.

Erakine House, the office equipment and photocopier group, weakened after it was reported that a subsidiary,
Copy Consultants, had gone into receivers in Erakine. into receivership. Erskine House said that Copy was not a subsidiary, but Erskine shares

fatisd to recover and closed 10 lower at 31p. D.Y. Davies tumbled 18 to 60p on news of worsening trad-ing conditions and the likeli-hood of an interim loss, but Madeva rose 5 to 71p following the sale of a range of Evans Healthcare OTC brands to Boots for EIRAM.
Mr Rupert Murdoch's
announcement of a strategy to revive his earnings pushed News International up 5 to 108p and eased some market

concern over Pearson, in which he has a stake Pearson also benefited from a Barclays de Zoete Wedd report, which changed its stance on the stock to buy. Pearson rose 18 to 635p. Goodhead, the publisher, fell 12 to 48p following a warning by the chairman that difficult trading conditions would continus.

Leading property stocks were pushed firmer in active trading, particularly through one broker. British Land was well sought and the price rose 8 to 280p as 2.2m shares changed hands. Hammerson

"A" was helped by a hold recommendation from Hoars Govett and closed 5 firmer at One trader suggested that

some of the major stocks in the sector may now be viewed as undervalued, given the pros-pect of lower UK interest rates over the next 12 months. The poor asset revelations from British Assets and First Charlotte Assets Trust

weighed on Ivory & Sime, which fell 7 to 58p. Waters were one of the more resilient sectors, with gains of 4 to 238p in Anglian and £10 to 22,305 in The Water Package.

Other Market statistics, including the FT-Actuaries share index, Page 28

NEW HIGHS AND LOWS FOR 1880

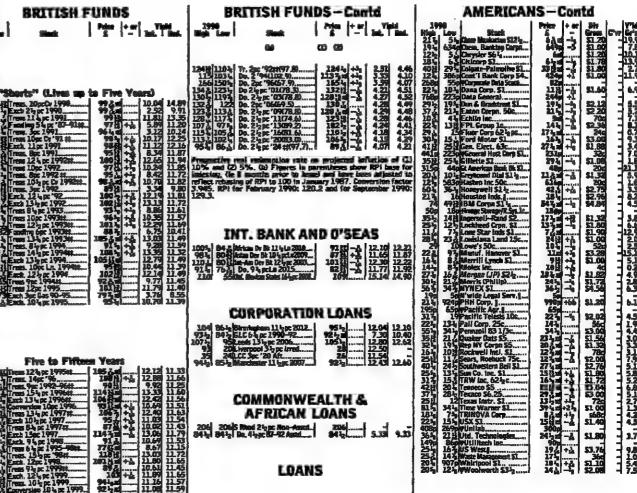
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British Airways, which fell ?

slipped 10 to 5090 in sympathy with the alide in Trafalgar House, its closest competitor. Optimism over the imminent meeting of the French and British halves of the Channel

LONDON SHARE SERVICE



APPOINTMENTS

Mobil Oil chairman

Mr Brian M. Davis has been appointed chairman and chief enscutive officer of MOBIL OIL. COMPANY, which is responsible for Mobil's marketing and refining interests in the UK. He was general manager and president of Mobil Oil Italians, and succeeds Mr Roger O'Neil who becomes vice president becomes vice pre administration of the newly-established Mobil Europe center of operations

Mr Nick Price, director and senior estates manager of Norwich Union Real Estate Managers, has been appointed a non-executive director of INVESTMENT PROPERTY DATABANK. He is also a director of Norwich Union Fund Managers.

GRANADA GROUP has appointed Mr Alan Clements as a non-executive director. He is finance director of ICL territorial director for Africa, and responsible for overseeing the acquisitions team. Mr Clements is due to retire from ICI later this year.

m Mr Roger Luscombe is to become a managing director of DILLON, READ from October 29. He was an executive director and head of UK corporate finance and

 DAWSON INTERNATIONAL, Edinburgh, has appointed Mr Ronald A.B. Miller as executive chairman. Mr Keith Fox becomes chief executive UK. Mr Philip Kemp, president US, additionally becomes chief executive officer of the US operations. Mr R. Derek Finlay has been appointed a non-executive director. He is chief financial officer of H.J. Heinz Co, based in Pittaburg, Pennsylvania. ADWEST GROUP has

appointed Mr Rory Shearer as group financial controller.



Mr Nie Paravicini (pictured)
has joined MACINTYRE
INVESTMENTS as chief
executive. He was chairman
and chief executive of Bank



Mr Tom Baxter-Wright (pictured) has been appointed deputy chairman of ASD. He was chief executive of GEN directeur a la direction generale of Usinor Sacilor, joins as a non-executive director on December 19 following the acquisition by Usinor Sacilor of a 20% holding in ASD.

Mr Michael McKay has been appointed managing director of STERTLEY QUARRY PRODUCTS from November 12. He was a director of the

■ Mr Tony Every-Brown has been appointed group property adviser to BLUE CIRCLE INDUSTRIES. He is succeeded as landbank director in the Blue Circle property division by Mr Richard Spray who joins the group from ARC divisional director, land, development division. SCANBANK COMPUTER.

SERVICES, a wholly-owned subsidiary of Skandinaviska Enskilda Benken, has appointed Mr Alan Summers as managing director. He was director of cales and marketing.

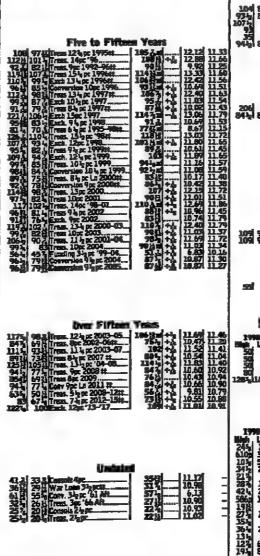
Senior posts at FR Group

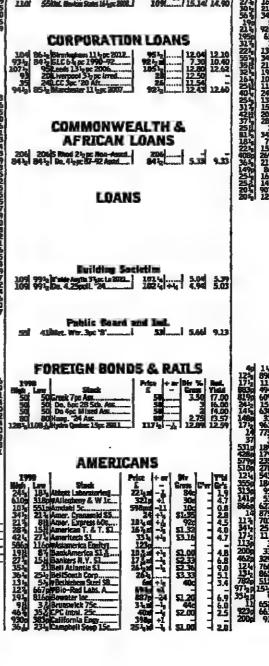
Mr. Gordon F. Page has been appointed deputy chief executive of PR GROUP from November L He assumes responsibility for the group's manufacturing companies in the UK and for Markhorst in Holland. He is encceeded as managing director of Flight Refuelling by Mr Robin H.L. Clark who is director and general manager, military systems division.

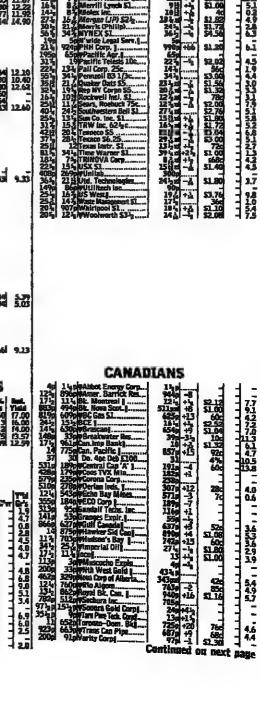
ALPINE GROUP. Birmingham, has appointed Mr David Hull as company secretary following the resignation of Mr Rd Creegan. Mr Hull is a corporate finance partner at Edge & Ellison, solicitors.

 LAURENCE KEEN, stockbrokers, has made Mr Richard Lewis a director.

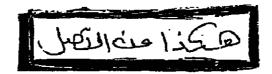
■ KRA GROUP, (retailing subsidiaries include Beatties, Techno and Fox Talbot), has appointed Mr John Gutterides as finance director. He was finance director of Camelford.

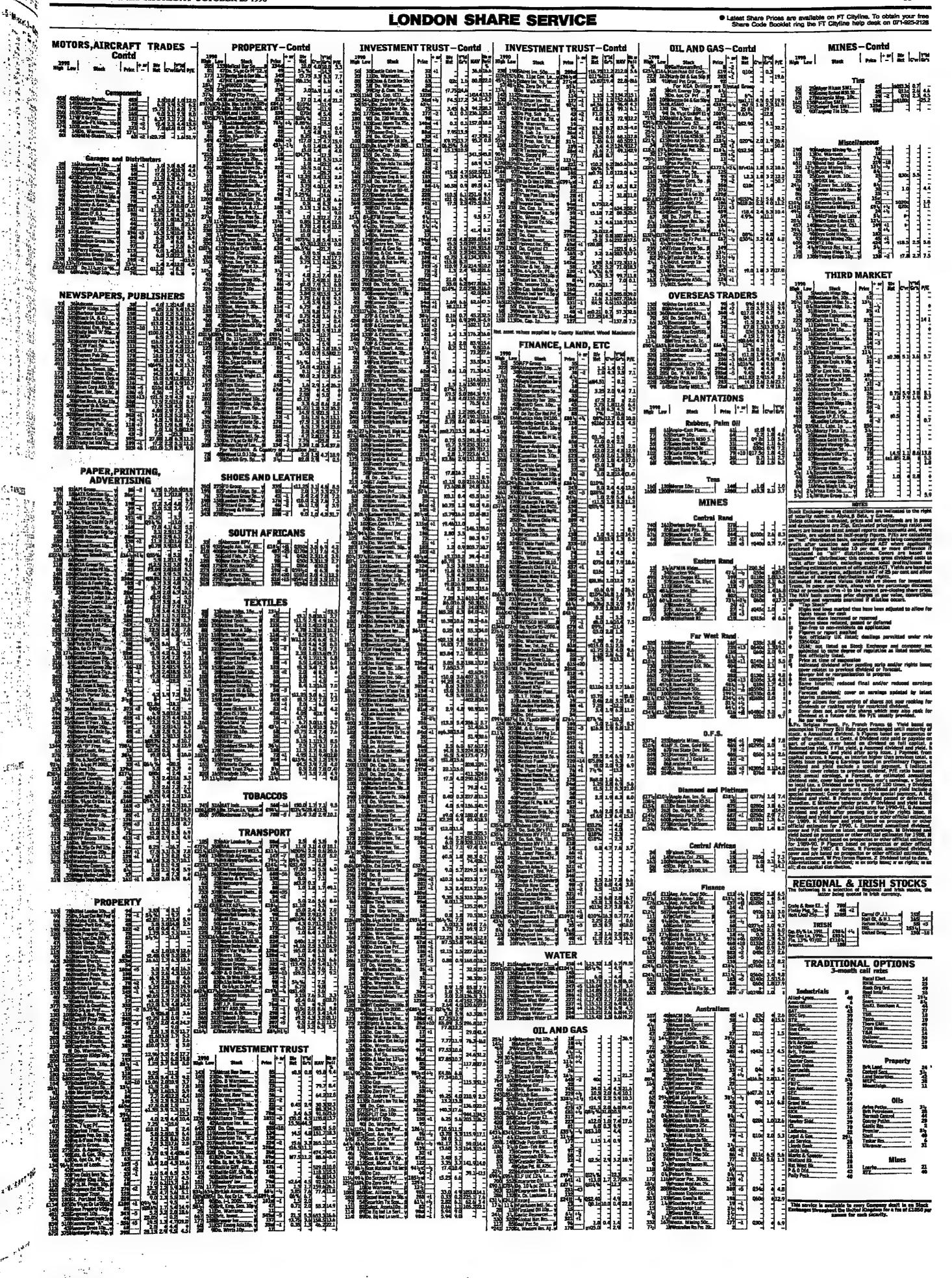




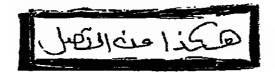


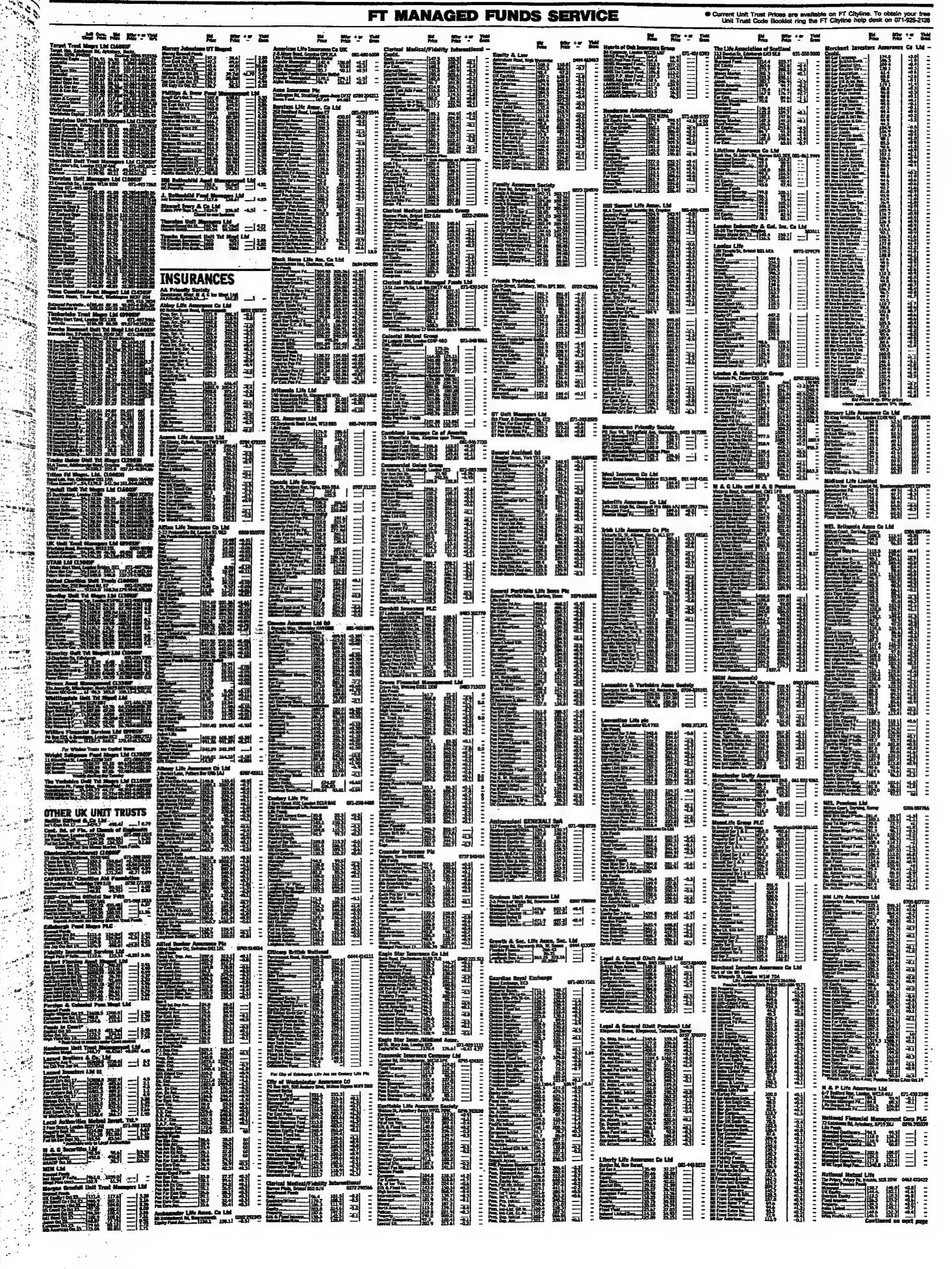
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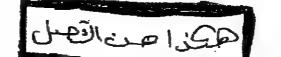


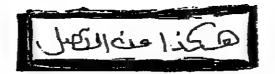
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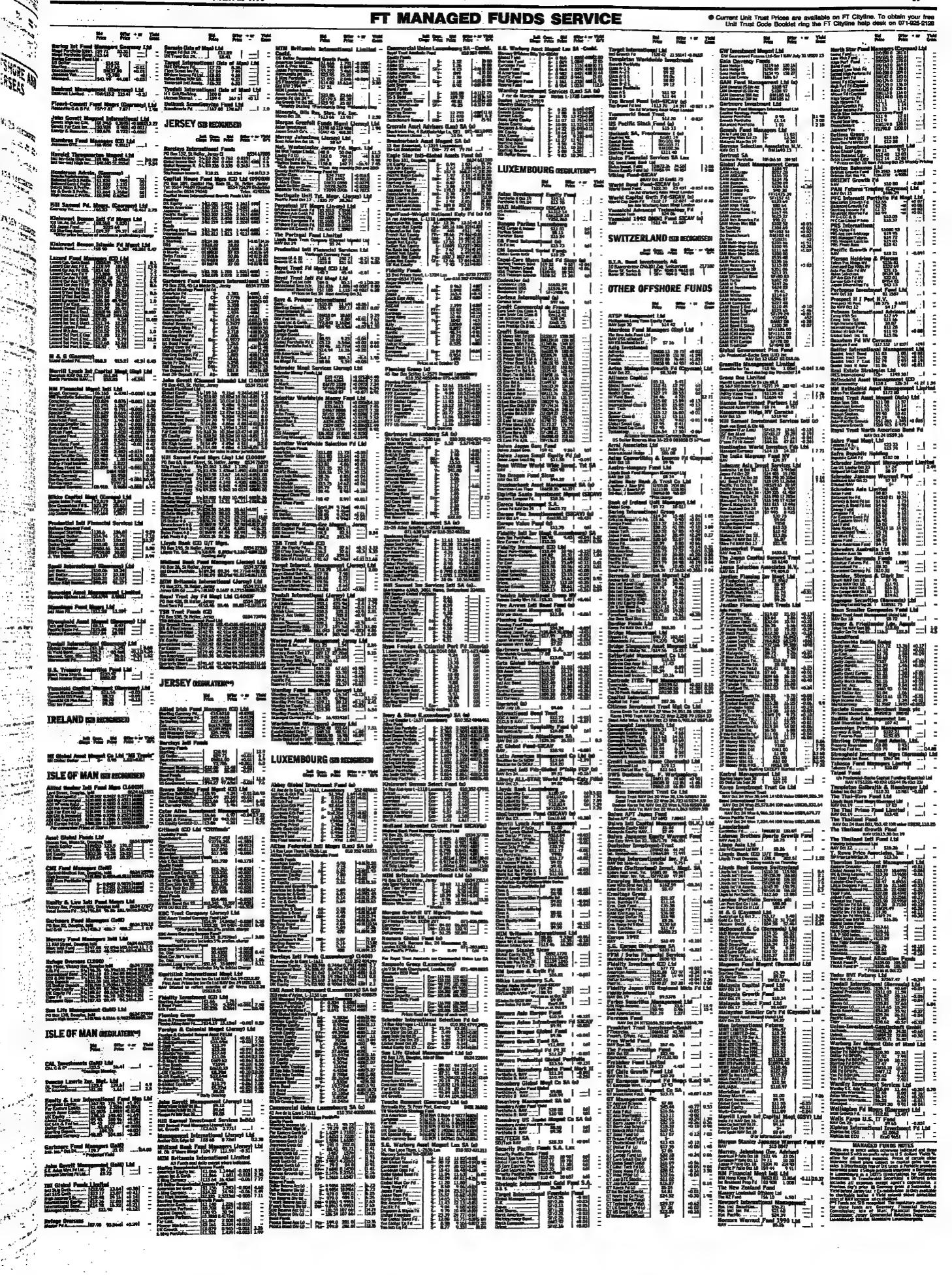
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Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help deak on 971-925-2128.

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar near lower end of range

THE DOLLAR closed towards the lower end of its range in Europe, but showed an improvement on the day against the Japanese yen. Ster-ling traded steadily, holding around its central rate against the D-Mark within the Euro-

pean Monetary System.

The market paid little attenthe market paid intile amention to a larger than expected fall of 1.7 per cent in September US durable goods orders. This encouraged hopes that the dollar may have found a near term base and that there could be recognised. be room for a technical recov-ery if it can successfully attack strong resistance points at Y129.20 and DM1.5240.

Attention tended to focus on the Gulf crisis and Congressio-nal efforts to reduce the US budget deficit, amid speculation that interest rates are unlikely to change until these problems have been resolved. Speaking on US television, Mr Richard Lugar, a member of the Senate foreign relations committee, said Iraqi forces in Kuwait are digging in with no apparent intention of leaving, and "the fact is that we are

headed towards conflict".

At the London close the dollar had improved to Y128.00 from Y127.45, but had fallen to

DM1.5070 FFr5.0425 to SFr1.3	from	FFra com	5.08 SF	00; and r1.2815.
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Talwas	1325 - 5125 1325 - 7165	27.30 - 27.35 3.6710 - 3.6740

MONEY MARKETS

Rates little changed INTEREST RATES were little changed in London yesterday, while short sterling futures way of £2m Treasury bills in band 2 at 13% per cent and £44m bank bills in band 2 at remained locked in a narrow range on Liffe. A steadier per-formance by sterling this week 13% per cent. In the afternoon another £882m bills were bought, via £48m Treasury bills in band 1 at 13% per cent; £222m bank bills in band 1 at has improved sentiment, but another cut in bank base rates 13% per cent; £2m Treasury bills in band 2 at 13% per cent; and £610m bank bills in band 2 at 13% per cent. Late assistance of around £200m

exchequer transactions adding

1285m to liquidity.

In Frankfurt call money was unchanged at 8.05 per cent, remaining above the 8 per cent

Lombard emergency financing rate, in spite of a net injection of liquidity by the Bundesbank. At a tender for 29-day securities repurchase

funds, DM13.1bn was allotted

at rates of 8.00-8.15 per cent.
This replaced an expiring agreement of DM11bn.
In Paris the Bank of France

left its intervention rate at 9.50

per cent when injecting emergency funds into the money market. This followed a

shortage resulting from a

strike by cash security guards

is not expected in the near term amid some concerns that the rate cut earlier this month may have been premature. Three-month sterling interbank was quoted at 13%-13H per cent against 13%-13% and 12-month money was 13%-13h per was also provided.

Bills maturing in official hands, repayment of late nancs, repayment of late assistance and a take-up of Treasury bills drained £1,152m with a rise in the note circulation absorbing £95m and bank balances below target £190m. These outweighed cent compared with 13%-13.

UK chering best hour benday rate 14 per cont from October 8, 1998

December short sterling futures opened weaker at 86.55 and traded between 86.55 and 86.62 before closing unchanged at 86.58.

at 20.50.

The supply of day-to-day credit remained tight on the cash market. A shortage of £1,150m was initially forecast by the Bank of England, but this was registed to £1,200m. this was revised to £1,300m at noon and to £1,350m in the

afternoon. Total assistance of £1,291m was provided. An early round of help was offered and at that time the authorities bought £163m bank bills in band 2 at 13% per cent. Before lunch £46m bills were purchased, by

The US currency's index eased to 60.5 from 60.6. Sterling improved with other

European currencies against the dollar and also gained ground against the yen. There were no new factors, the pound shrugging off a survey from the British Chambers of Commerce suggesting that the UK

merce suggesting that the UK has entered a recession.

The pound climbed 1.20 cents to \$1.9580 and rose to Y250.50 from Y248.00. On the other hand, it eased to its central rate in the EMS exchange rate mechanism of DM2.9500 from DM2.9525 Sterling also fell to DM2.9525. Sterling also fell to FFr9.8725 from FFr9.8850 and to SFr2.4825 from SFr2.4950. Its

to SF72.4825 from SF72.4850. Its index ended 0.1 higher at 94.6. In New York the pound finished higher at \$1.9598. Within the ERM, sterling was 0.17 per cent above its central rate against the lowest placed Italian lira, according to figures from the European

Commission. The Spanish peseta remained the strongest member of the system, and was 3.81 per cent above the lira. The D-Mark fell to the bottom of its recent range against the French franc, to be fixed in Paris at FFr3.3471 compared with FFr3.3474 on Tuesday. This was in spite of Tuesday's news of a higher than expected French trade deficit in September. The only time the German currency has been fixed lower

in the last three years was at DM3.3470 on September 28. Dealers said they believed the Bank of France has intervened recently to support the D-Mark against the franc. In London the D-Mark closed at FFr3.3460, against a previous FFr3.3475.
The lira held steady against the D-Mark. The German unit was fixed at L748.72 in Milan against L748.99 on Tuesday. There was no obvious intervention by the Bank of Italy.

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DM YEN	0.339 3.992	0.664 7.816	11.78	84.92 1000,	3.34 78.41	0.541	诎	748.8 8818	0.774 9.116	20.61 242.7
F Pr. S Fr.	1.013 0.403	1.963 0.789	2.988 1.189	253.7 100.9	10. 3.977	2.514 1	3.34 1.340	2238 890.0	2.514 0.920	61.59 24.50
H FL Um	0.301 0.453	0.509	0.887 1.335	75.34 113.4	2.969 (.461)	0.746 1.124	1.505	664.4 1000.	D.M87 1.034	18.29 27.52
C S D.Fr.	0.438 1.645	0.857 3.220	1,292	109.7 412.0	4.322	1.087	1.456 5.469	967.2 3633	3.757	26.62 100.

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ktort ch ch co co co co co co co co	800-810 95-81 65-74 762-775 71-76 97-101 92-101 92-94	8.15.8.90 98-91 74-8 8.05-8.15 78-771 114-114 81-88 94-10	8.20-8.35 91,-93 101-104	3.45-8.60 98-98 8-84 8-30-8-47 814-84 114-114 88-88 104-104	103-105	8.00 9.50 - - -		
LONDON MONEY RATES								
Oct 24	Overnig	tht 7 days	One Month	Three	Six	One Year		

Remark Bid	LONDON MONEY RATES									
Rerbank Offer	Oct 24	Overnight.	7 days notice	One Month	Three Months	Şix Months	One Year			
CU Linked Dep. 8id 92 91 91 101	merbank Bid sering CD ceal Authority Deps. ceal Authority Bonds liscount Mic Deps. company Deposits imance House Deposits reasury Bills (Bury) lite Trade Bills (Bury) lite Trade Bills (Bury) Dollar CDs. OR Linked Dep. Offer		13%	11451111111111111111111111111111111111	111111111111111111111111111111111111111	134 134 131 131 131 131 131 131 131 131	131 ₅ 131 ₅ 131 ₅ -			

recently Bills (sell); one-month 13% per cent; three months 13% per cent; six months 13 per cent; Bank Bills (sell); one-month 13% oer cent; three months 13% per cent; Treasury Bills; Average tentier rate of discount 13.1897 per, CCGD Fixed Rate Sterling Export Finance, Make up day October 8, 1990. Agreed rates for period Oct 24,1990 to Nov 25, 1990, Scheme is 18, 181: 16.21 per, Reference rate for period Sept 1,1990 to Scheme is 28, 1990. Scheme IV&V: 14.955 p.c. Local Authority and Finance House seven days' notice, others seven days' fixed, Finance Houses Base Rate 15 from October 1, 1990: Bank Deposit Rates for some at seven days notice 4 per cent. Certificates of Tax Deposit Certas 6; Deposit £100.000 and our held under one month 12 per cent; one-three months 12 per cent; three-six months 12 per cent; and the months 12 per cent; three-six months 12 per cent; three-six months 12 per cent; one-three months 12 per cent; three-six months 12 per cent; three-six months 12 per cent; one-three months 12 per cent; three-six months 12 per cent; three-six months 12 per cent; three-six months 12 per cent; one-three months 12 per cent; three-six months 12 per cent; three-six months 12 per cent; one-three months 12 per cent; three-six months 12 per cent; one-three months 12 per cent; three-six months 12 per cent; one-three months 12 per cent; one-three months 12 per cent; three-six months 12 per cent; one-three months 12 per cent; o

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CHICAGO

U.S. TREASURY BONDS (CRT) 8% \$100,000 \$2nds of 106%

90-20 90-08 89-38

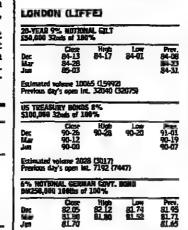
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59-17

CAC-40 FUTURES CILITUT Stock laster

March Esthesiad volume - Total Open Interest 11,977

91-01 90-21 90-09 89-18 89-08 88-30 88-21 88-12



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		明之) 第334 第834			88.24 88.24	December March	98 98	70 22 22	Dose 98.46 18.30	40.0 40.0 40.0
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	MARE S	HONTE EURO 1 of 100%	BELLAR			Strike		Dec.	Çallı. March	
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Het. Vol. Previous	(lec. figs. ac fag's open in	ol showed) L. 39884 (919 D444 3775 Q	•
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Estimate Previous	d volume 643 day's open in	5 (7311) L 67775 (669377	
	points of 100	1%		
Dec	90.02	High 90.04	90.01	90.03

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BASE LENDING RATES

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Northern Bank Ltd ... J.

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52,680

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3,940

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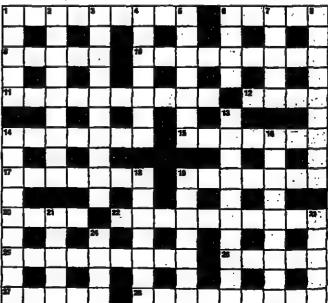
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dall & Co Ltd

JOTTER PAD

CROSSWORD

No.7,376 Set by HIGHLANDER



ACROSS 1 Cook loses race to provide.

1 Cook loses race to provide lood (9)
6 Make fat (5)
9 A point in front (5)
10 Beat one-time lower limit (9)
11 Season after season, reported a complete rever-

reported a complete reversal (10)

12 Some opt for a less formal examination (4)

14 Parrots covered in blackfiles for example (7)

15 Shot shy young bird (7)

17 Imitator is evasive about first Parliamentary Reform Act (7)

19 Even impossible at full

19 Even impossible at full speed (4.8)
20 Looked for sound type of

character (4) One not invited to dance

with wife having the greatest possible choice (10)
25 Only a slight possibility but cricket side takes opportu-

nity (3,6)
26 Rely at sea on black and aquamarine (5) 27 Bear to give up cave in return (5)

Prepares and provides remedies and excuses (9) D-CMMIN

1 Girl has caught on to informal style (5)
2 Cooks joint in vessel (9)
3 Final result: goal for Channel combination (3,7)
4 Not allowed hoaf declared as

5 Each has right to push for protection against noise (7)
6 Cut deeply into fuel source for heating (4)
7 Old, obstinate smell (5)

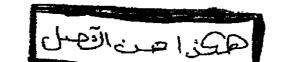
8 Before match team procures additional information but little illumination (9) 13 Open to attack when sea-worthy (10) 14 Additional entrance at top

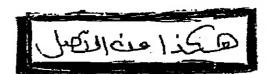
of old line (9)
16 Press covers opera in heavy industrial plant (9)
18 Taught there is wet weather among dry (7)
19 Pienty play loudly unless ordered otherwise (7)
21 Pire at random round left in wearon (5)

weapon (5)
23 Bread moves along on wheels and cylinders (5) 24 A female would put cast of

Solution to Puzzle No.7,375

PULLOVER PARGUA
A A A S R N A
NOMESUCH STRAND
A D I A P II E U
DOSES POLICETAN
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I O E O C II
DETHEE AUGUSTOR





	WORLD STOCK MARKETS									
AUSTRIA - Chimber 24 Sch + N-	FRANCE † (continue)	GERMANY (santioned) :TALY (continued)	CANADA							
Dezinher 24 Seh	Decision	Blanker 24 Det. + 197	TORONTO Closing prices October 24 Conting pric	700 Scotts (
1,320 1,32	Pessect S.A. 534 -1 Polist. 466 -4 Profiles 470 -4 Profiles 515 -2 Profiles 525 -1 Profiles 525 -2 Promotive 525 -2 Reductive 528 -4 Reductive 540 -1 Support 1,460 -1 Su	Verico West	NEW YORK DOW JONES Oct. Oct. 1990 Since compilation 24 23 22 19 HiGH LOW HiGH LOW HiGH LOW AUSTRALIA All Distance DILIAN 157.7 158.1 All Distance DI	\$157 65 \$128 55 6599.43 112/11 4959.99 \$25/8 \$47.25 \$46 35 \$88.29 \$20/71 \$31.42 \$27/8 \$45.65 408.7 677.3 \$23/11 \$992.9 \$44/18 \$45.65 437.53 \$44.92 \$20/95 \$44/18 \$26/98 \$45.45 1524 \$21.93 \$20/97 \$468.39 \$25/9 \$44.40 \$44/10 \$1524 \$26/98 \$44.40 \$44/10 \$1524 \$26/98 \$44.40 \$44/10 \$1524 \$26/98 \$44.40 \$44/10 \$1524 \$26/98 \$44.40 \$44/10 \$1524 \$26/98 \$44.40 \$44/10 \$1524 \$26/98 \$44.40 \$44/10 \$1524 \$26/98 \$45.41 \$46/10 \$16/98 \$26/98 \$45.41 \$26/98 \$26/98 \$45.41 \$26/98 \$46/98 \$26/98 \$46/98 \$46/98 \$26/98 \$26/98 \$46/98 \$46/98 \$26/98 \$26/98 \$46/98 \$46/98 \$26/98 \$26/98 \$46/98 \$46/98 \$26/98 \$26/98 \$46/98 \$46/98 \$26/98 \$26/98 \$46/98 \$46/98 \$26/98 \$26/98 \$46/98 \$46/98 \$26/98 \$26/98 \$46/98 \$46/98 \$26/98 \$26/98 \$46/98 \$46/98 \$26/98 \$26/98 \$46/98 \$46/98 \$26/98 \$26/98 \$46/98 \$46/98 \$26/98 \$26/98 \$46/98 \$46/98 \$26/98 \$26/98 \$46/98 \$46/98 \$26/98 \$26/98 \$46/98 \$46/98 \$26/98 \$26/98 \$46/98 \$46/98 \$26/98 \$26/98 \$46/98 \$46/98 \$26/98 \$26/98 \$46/98 \$46/98 \$26/98 \$26/98 \$46/98 \$46/98 \$26/98 \$26/98 \$46/98 \$46/98 \$26/98 \$46/98 \$46/98 \$26/98 \$46/98 \$46/98 \$26/98 \$46/98 \$46/98 \$26/98 \$46/98 \$46/98 \$26/98 \$46/98 \$46/98 \$26/98 \$46/98 \$46/98 \$26/98 \$46/98 \$46/						
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140 150	Bank Corp	Chester Castiquers 1,000 -00	The FT proposes to publish this survey on November 7th 1990. It will be of special interest to the thousands of FT readers who are directors and managers with decision making responsibility for U.K. and international freight and insurance. If you want to reach this important audience, call Neville Woodcock on 071 873 3365 or fax on 071 873 3062. FINANCIAL TIMES							

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YORK STOCK EXCHANGE COMPOSITE PRICES

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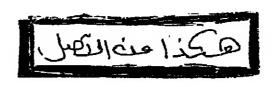
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FINANCIAL TIMES

Programme trades offset budget pact frustration

Wall Street

EQUITIES PUT on a mixed to firmer performance on Wall Street yesterday, as frustration with the government for fail-ing to come up with an accept-able budget package was alleviated by some computer-driven programme trading, writes Karen Zogor in New York.

The Dow Jones Industrial Average improved 10.15 to 2,504.21, while New York SE volume totalled 150.1m shares. On the big board advancing issues held a slim lead over declines by 758 to 718. The Dow lost 22 points on Tuesday. The stock market managed to ignore a renewed rally in oil prices, with the December

crude contract ending \$1.71 a barrel higher at \$31.08. Crude oil trading was spurred by reports of more violence in the Citicorp remained near the top of the NYSE's most active list and shed \$% to \$11%. The bank has avoided having to

call an auction of its auctionrate preferred stock by increasing the maximum dividend rate allowed on the issue. Trading was also heavy in Chase Manhattan, which lost \$% to \$11%. The bank, which recently cut its dividend from 62 cents a share, will pay a 30-cent regular quarterly divi-dend in November. The stock will trade ex-dividend today. Continental Airlines plunged

\$1% to \$4. The company yesterday denied that it planned to file for protection under chap-ter 11 of the federal bankter 11 of the federal bank-ruptcy code, although it intends to sell some assets. UAL, perent of United Air-lines, rose \$1½ to \$96%. UAL said that it would acquire a number of assets from Pan Am, including its prized US-Europe routes. Pan Am was unchanged at \$1%. In results-driven trading, Company Computer jumped \$3%

Compaq Computer jumped \$3% to \$47% after reporting thirdquarter net income of \$1.38 a share, against \$1.01 a year ago. Computer Associates gained \$% at \$7% on second-quarter earnings of 15 cents a share, up

earnings of 15 cents a snare, up from 5 cents a year ago. Westinghouse Electric rose \$% to \$25%. The company said that it expects to post full year earnings of about \$3.40 to \$3.50 a share. Anheuser Busch declined \$% to \$38 after turn-ing in third-quarter het earn-ings of 91 cents a share, com-pared with 83 cents last year.

A flurry of rumours that Matsushita had suspended talks with MCA forced shares in the US entertainment group down \$8% to \$50 before trading was halted in the afternoon. Matsushita issued a denial.

In over-the-counter trading, the Nasdaq composite was off 0.11 at 340.98. Technology stocks continued to fuel trading, with Sun Microsystems plummeting \$4% to \$15%, Apple Computers slipping \$\% at \$30\% and Conner Peripherals adding \$\% at \$22\%.

Canada

TORONTO stocks picked up from early losses to end with a firmed bias on balance after further light trading. Pears of inflation in Canada, a rise in oil prices and confusion over the US budget helped to sub-due sentiment.

Declining management and transportation issues restrained the composite index, which was a slight 0.5 off on the day at 3,122.5, but rises finally outpaced falls by 307 to 238. Volume came to 17.8m shares, down from 18.1m. Ten of the 14 sub-group indices of the 14 sub-group indices gained ground, led by real estate, up 2.0 per cent.

Taiwan prepares to open up to outsiders

Weighted Index (1000)

Peter Wickenden points out the pitfalls of investing directly in Taipei's volatile bourse

OREIGN institutions are likely to approach investing directly in Taiwan's lethally volatile stock market with some trepidation. if indeed they feel like doing so

If the Security and Exchange Commission's proposals for limited market opening to foreigners are passed by the cabi-net in early November, quali-fied foreign institutions may be free to invest in the stock mar-

ket by the end of the year. But the timing of this move, and the nature of the draft proposals, suggest to foreign analysts that their allotted role is two-fold: first to ball the locals out, then to be the martyrs who sacrifice themselves to the cause of cleaning up a notori-ously manipulated casino.

Mr Malcolm Riddell, who

runs a financial services consultancy in Taipei, has no illu-sions about the opening of the market when it is wallowing at 70 to 80 per cent below its February peak. "It's as clear as can be that this is to pump the market, and some officials have admitted it to me. Foreign institutions are in busi-ness to make money, not to ball out the market." he says.

MARKET participants, wary of

the fast-paced advance of equi-ties in recent days, took to the sidelines yesterday and the

Nikkei average slipped below 25,000. The weakening of the yen against the dollar, lower

domestic bond prices and the overnight decline on Wall Street also contributed to the

bearish mood, writes Martina Gamon in Tokyo. The Nikkei finished at

24,876.88, down 421.42, after touching 24,677.26. The day's high was 25,271.28. Falls led

rises by 661 to 258, and 142

issues were unchanged. Turn-over slipped from 550m shares to 500m. The Topix index of all

listed stocks receded 18.08 to 1.841.48, but in London the ISE/

Nikkei 50 index gained 8.06 to

Among the day's gainers was NTT, which advanced Y27,000

to recover the Ylm level for the first time since August.

Also performing well were some constructions, heavy industries, shipbuilders and

pharmaceuticals. Nishimatsu

Construction, the day's most active issue, finished Y180

Environment-related stocks fared well. Ebara added Y30 at

Y1,650 and Daiken Trade & Industry, a manufacturer of wooden and mineral fibre-

However, arbitrage liquida-

tion brought down prices

almost across the board in thin

morning trading. Many sectors trimmed recent gains, includ-ing real estates, large-capital

steels and other domestic demand-related issues that had

been boosted by the stronger

yen. But as the currency weak-ened to Y128 to the dollar,

investors began to offload these stocks. Nippon Steel shed Y4 to Y468 and Mitsubishi

Estate dropped Y30 to Y1.270. The weakest section was financials, following rumours

that former officials of Mitsui Trust & Banking had been

arrested on allegations of tax evasion. The stock fell Y100 to

Y1,240. Industrial Bank of

Speculative shares also fell

sharply, Honahu Paper leading

the way with a drop of Y310 to Y2,160. Export-oriented equi-

ties fared poorly in spite of

DOLLAR INDEX

1990 Low

176.57 86.68 142.50 139.13

182.40 159.35 139.60 112.70 130.03 156.94

109.94

apan lost Y160 to Y2,840.

boards, rose Y30 to Y1,800.

higher at Y1,370.

1,414.36.

ASIA PACIFIC

He and many others suspect the government's motives because of the rule that institutions must bring their cash into the country - US\$5m to US\$50m - keep it in Taiwan dollars and cannot remit the principal out again for at least three months. Although this was reduced from the 12 months in an earlier draft after foreign protests, profits and dividends cannot be remitted out until one year is up. This is intended to prevent

any more hot money flowing in and out of Taiwan than does already. But analysts say it managers of regional-based mutual funds. "This does not make much sense." says Mr

In the proposal, institutional investors are defined as banks, insurance companies and fund management companies of various sorts. Banks must be amongst the world's top 500 in terms of assets, and currently have at least US\$5bn invested in securities. Insurance companies will need at least ten years of operating experience and assets exceeding USS5bn, while fund managers must have five years of experience

and more than US\$5bn under

The total foreign investment in the Taiwan market will be limited to US\$2.5bn, or about one and a half days' turnover at current levels of trading. Individual institutions will be allowed to hold no more than five per cent of any Taiwanese company's circulating shares, and the total foreign stake in any local company cannot exceed 10 per cent.

Some foreigners dislike these restrictions, but the government has hinted that they will

analysts foresee smaller and fairly specialised institutions coming in and buying up small quantities of the two or three dozen solid blue chips the mar-ket has to offer, and increasing their participation slowly over

a couple of years. However, they disagree over what the presence of conservative foreigners might do to the market's wild behaviour. Mr Leon Ku, general manager of James Capel in Taiwan, thinks that speculative local investors will eventually be tamed. Others think that the urge to gam-ble and go after a fast buck is an indelible part of the Chinese nature, but that foreigners will at least be able to sell stocks that are being blatantly ramped by the so-called "big hands". Mr Peter Kurz, general manager of Baring Research Taiwan, recalls receiving complaints from Taiwanese ram-pers active in Hong Kong when Barings thwarted them by advising its clients to sell cer-tain affected stocks.

Mr Riddell fears for the fate of unwary foreigners, and argues that the government should set the house in order before inviting them in.

be gradually loosened. Most "Rather than try to juice it up, why not take the opportunity of the downturn to build a proper capital market?" he

says. The Finance Minister, Mr Wang Chien-baien, vowed from his first day in office this spring to stamp out insider trading, speculation and manipulation, and increase local institutional investment. But precious little has been achieved so far, as is being amply demonstrated by the market's current rally. Commarket's current raily. Com-menting on Wednesday's 6.63 per cent rise in spite of contin-ued poor fundamentals and blaring over-bought signals, brokers said "the big hands are back, and everyone just went crasy". Most analysts are pre-dicting another crash in the dicting another crash in the

coming weeks.

There is a consensus that the
Taiwan market defies technical
analysis, and that most major analysis, and that most major foreign institutions lack understanding of its nature. Mr Kurz also foresees a number of practical problems arising between foreigners and the local brokers who will execute their orders. "Those expressing interest are unaware of the despeers" he warms.

Suez second half warning weighs on French stocks

BOURSES mostly went nowhere or down yesterday, Frankfurt turning in its tracks yet again, but there appeared to be more activity among the seniors, writes Our Markets

PARIS saw active trading in Michelin and Suez. The CAC 40 index fell 8.93 to 1,667.24 as profit-taking set in, in volume of around FFr2.2bn. Analysis feared that the market was in for a tumble as more sellers came out of the woodwork. Suez fell FFr3 to FFr324.20 with 568,940 shares traded fol-lowing publication of the group's first half figures, which ere in line with expectations. Suez's cautious statement about the second half of the

year and a warning that con-solidated earnings per share could fall in 1990 weighed on Mr Bill Vincent at UBS Phillips and Drew said that per cent discount to net assets and at a substantial discount to the French market, the price was being held back by the indigestible issue of paper -mainly in the form of warrants and convertibles - over the past year, confusion about the

company's real earnings and a lack of direction in the management of its investments. Michelin continued to recover after last week's plunge, gaining FFr4.50 or 7.17 per cent to FFr67.70 with 416,760 shares traded. Bougyes, the construction group, fell FFr20 or 4.45 per cent to FFr429 after reporting a 45.7 per cent fall in consolidated net profit to FFr102m. Remy, the drinks group which rose last week after Highland Distilleries of the UK took an indirect stake

in it, fell FFr5 to FFr291. FRANKFURT'S run of uncer-tainty continued as a rise of 12.98, or more than 2 per cent to 653.76 in the FAZ index at midsession was replaced by a fall of 20.52, or 1.4 per cent in the DAX at the close.

Volume rose again, from DM6.1bn to DM7.3bn. Dealers said that stocks had risen in

NATIONAL AND REGIONAL MARKETS

Austria (19).... Belgium (81)... Canada (120). Denmark (33).

Malaysia (35)

Singapore (25).... South Africa (60).

United Kingdom (300).....

the morning on index-linked programme trading from both domestic and foreign sources, then suffered profit-taking as the DAX failed to attract con-vincing buying interest above the 1,500 level.

"It's a kind of consolidation." said Mr Michael Rietberger, head of trading and sales at Citibank in Frankfurt, confi-dent international investors will be back in the medium

mill operated again yesterday.
Deutsche Bank was in the market as a seller, but the story
went round that its own third quarter results were going to be down. Deutsche denied this but its shares fell DM5.30 to DM639 while Daimler, which has been more volatile, only shed DM2.50 to DM626.

Elsewhere in carmakers, Volkswagen dropped DM16 to DM386 as the downgrading of came in for further consideration. Steels, too, were relatively weak with Hoesch DM8.50 lower at DM226 and Thyssen down DM6 to

Lower oil prices had given the market a much needed boost, analysts said. But Italy's dependence on imported oil was likely to restrict economic growth and eat into corparate profits, they warned. Further-more, while support from the four large corporate groups was evident, foreigners remained net sellers.

Olivetti paused after its run at the start of the week, up L1 at L4,391, as rumours of a link-up with Stet were denied. ZURICH saw pressure on banks following depressing news on earnings prospects from Bank Leu and Crédit Suisse, confirming the bleak fore-casts made recently by other major commercial banks. CS

In the meantime, the rumour

MIT.AN consolidated after its recent gains, The Comit index rose just 1.15 to 582.92 as volume fell back after Tuesday's

Holding declined SFr20 francs to SFr1,860 and Union Bank

WEDNESDAY OCTOBER 24 1986

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Copyright, The Financial Times Limited, Goldman, Sachs & Co. and County NatWest Securities Limited. 1987 CONSTITUENT CHANGE: Deletion (24/10/90): Comm. Ind. Gases (Australia).

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SFr40 to SFr2,940. The Crédit Suisse index eased 0.2 to 508.4. However, the

engineering group, Georg Fischer, gained SFr40 to SFr1,460. Analysis said yesterday that the cooperation agreement and equity link announced between Fischer and Schweizerische Industrie

Gesellschaft (SIG), should result in considerable savings. AMSTERDAM closed lower after a mixed session. The CBS Tendency index fell 0.3 to 98.2. There was considerable activity in Philips before the release of its third quarter results today. The stock rose as high as Fl 21.10 before closing 20 cents off at Fl 20.80. A block of 100,000 shares was report-

edly crossed in New York.

Bols, the drinks company, continued to rise following several positive recommendations from brokers. The stock added Fl1 to Fl174 though volume again on profit-taking, losing 80 cents to F1 40.30.

STOCKHOLM was dragged lower by another set of disappointing company figures, this time from SKF, the ball bearings group. Its free-B shares fell SKr3 to SKr35. The Affiravärlden general index fell 8 to 942.5 in volume of just SKr153m, the year's low. Investors have retreated to the side-lines to wait for details of the government's austerity pack-

BRUSSELS rose strongly across the board, with some stocks surging more than three per cent on lower domestic interest rates. The cash market index gained rose 52.87 to 5,278.85 in above-average volume of FF1820m.

SOUTH AFRICA

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood

Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

+0.0 -0.1 -1.3 -0.8 +0.0

The World Index (2346)... 133.20 - 0.4 100.85 107.77 104.36 116.19 - 0.5 2.95 133.75 101.90 107.76 105.53 116.72 162.05 116.33 150.81

Currency Index

Gross Div. Yield

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3.78 123,81 1.44 280.10 3.64 98.91 3.64 142.04 2.40 117.49 5.30 125.89 3.97 165.90 3.27 88.45 0.76 140.30 2.82 205.95 0.39 533.32 5.38 135.85 1.61 241.56 3.22 168.20 4.18 160.64 5.06 152.50 2.75 178.50 2.75 178.50 5.56 185.32 3.94 95.00

Dollar Index

127,38 210,22 138,14 123,81

JOHANNESBURG extended Tuesday's gains, helped by a weaker financial rand and modest demand for quality issues. The JSE all-gold index rose 11 to 1,369 and the allshare index jumped 31 points

TUESDAY OCTOBER 22 1998

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advance once the yen stopped rising. Sony retreated Y120 to Y6,650, Hitachi Y40 to Y1,200

and Toshiba Y31 to Y800.

A rally in the final hour of trading in Osaka pushed the OSE average up 98.75 to 28,656.58, extending its advance to eight consecutive trading days. Volume edged up to 46m shares from 42.6m. Traders, cautious about the sustained rise, had concentrated on profit-taking throughout the day but changed tack in the end.

Roundup

PACIFIC RIM markets were mixed, with most maintaining their strength in spite of falls in Tokyo and New York.

TAIWAN jumped 6.6 per cent, the largest single gain in

a day since August 31, as big players swung into action with large buy orders. The weighted index gained 218.84 at 3,519.41.

Turnover came to T\$51.8bn All sectors were higher, with financial, cement, and food

Nikkei slips back as cautious mood returns

shares leading the gains.

MANILA gained ground for
the fourth trading day running as bargain hunters snapped up shares and appeared to ignore the affect of a general strike called by labour unions. The composite index advanced 3.3 per cent, or 18.16, to 573.16 and turnover rose to

58.8m pesos from 53.5m. SEOUL continued its sharp upturn, registering the steep gain for the market's main barometer in about 19 months.

31.22, or 41 per cent, to 796.77 on a strong volume of Won333.5bn (Won285bn), The index has surged 158 points, or 25 per cent, since last Wednesday when Seoul's improving relations with North

Korea provided strong momen-

tum for a recovery.

KUALA LUMPUR rebounded from initial losses to close higher on bargain hunting despite the weaker trend on the Tokyo bourse.

fell 1,100 rupish to 5,900.

SINGAPORE closed mixed after buyers returned in the afternoon and erased early

losses. The Straits Times industrial index ended 1.05 up

at 1,210.95 and turnover fell to

S\$109.5m from S\$176.5m as activity centred on low-priced

The composite index gained 5.71 at 513.42, after a day's low of 505.24. The index has risen 36.63 this week. Turnover was 36.6m shares against 56.3m. HONG KONG fell as profit-taking helped to pull back the

market. The Hang Seng index

day's fall, rising 4.02 to 409.13 in light trading. Unusually, banks were among the most active shares but ended mostly lower. Bank Umum Nasional 3.042.08 following a gain of 65.67 on Tuesday. Volume slipped to HK\$1.04bn from HK\$1.35bn. NEW ZEALAND ended lower for the first time in six trading

days following a drop in Fletcher Challenge shares and falls on overseas bourses. Fletcher went ex-dividend and shed 21 to NZ\$3.46. It has a 24 per cent weighting in the

23 per cent weighting in the Barclays index, which was esti-mated to have ended 28.01 lower at 1,422.42. AUSTRALIA slipped in thin trading as profit-taking sapped selected stocks. The All-Ordi-peries index excel 5.4 to 1235.7 naries index essed 6.4 to 1376.7 on turnover of A\$139.04m,

down from A\$255.8n Banks weakened after inves tors became nervous over the impending release of their results, ANZ and Westpac each declined 7 to A\$4.13 and A\$4.14 respectively, but Bank of Queensland rose 5 to A\$3.30.

VIEWPOINT

The Commerzbank report on German business and finance

Air transport: deregulation will stimulate growth

With annual growth rates of between 5 and 7%, the size of the air travel market should double by the start of the next century when total passenger volume is expected to reach two billion. As consumer spending on leisure in general is increasing, private travel should show even stronger growth than business travel in the years ahead. However, air cargo demand will be boosted still more, thanks to the emergence of truly global markets for products. Many high-tech products are already being sent by air, and the fact that more and more companies are switching to "just-in-time" inventory and distribution systems means that air cargo should remain a high-growth sector for some time to come.

Worldwide, the air trans-

port industry is expanding.

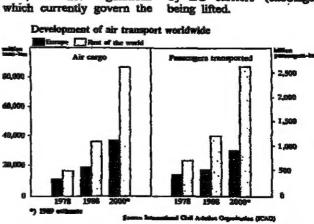
While demand for air transport is buoyant, competition in the industry is also intensifying and, in many cases, this has already pushed rates down. The process of airline deregulation, which began in the United States in 1978 and is largely complete there, is now gaining momentum in Asia and Europe.

Changes in Europe

The pace of liberalization in the European Community in particular is quickening. Plans call for the creation of transport by 1993. From then onwards, the member countries' airlines will be free to set their European fares at whatever level they choose. They will be permitted to offer flights to any destination within the EC. In the meantime, the strict regulations

reductions of up to 70% will be offered. More liberal rules will

also be applied in the allocation of routes and capacities, with restrictions on the operation of passenger services between member states by EC carriers (cabotage)



allocation of routes and the approval of fares by national transport ministries will be eased somewhat.

The first deregulation measures, which came into effect in 1988, focused on three aspects: fares (the introduction of two discount zones was approved); the previously rigid distribution of canacities between the airlines; and market access. From November 1, 1990, airlines will be allowed to introduce a new staggered system of rates. In some cases, e.g. if round trips are a unified EC market in air booked well in advance, price

Deregulation will certainly mean more flights to more destinations at lower fares. What is more, the distinction between charter and scheduled flights will become

blurred. On lucrative, high-

panies will try to compete directly with the regular airlines, while the latter will increase their efforts to tap the rapidly expanding market for package and group tours. However, the challenges

volume routes, charter com-

posed by deregulation could lead to closer cooperation between international airlines, and there may also be takeovers and mergers. In order to secure the advantages of deregulation for consumers. therefore, the relevant EC institutions must ensure that competition prevails.

Action needed

While liberalization will clearly boost demand for air travel in Europe, the scope for a major expansion of air traffic volume is at present limited. The existing constraints can only be overcome through a package of measures, including improved coordination of air traffic control and invest-

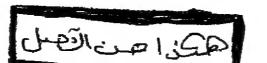
ments to expand airports. However, the air transport industry as a whole will have to make large outlays in the coming years. Over the next ten to fifteen years, the world's airtines will probably need to buy a very large number of new aircraft. Financing such 2 huge investment will certainly represent a great challenge for most of them, especially since their profit margins can be expected to narrow as competition heats up.

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